

Nine Steps to
Radio Saturation

April 14, 1958

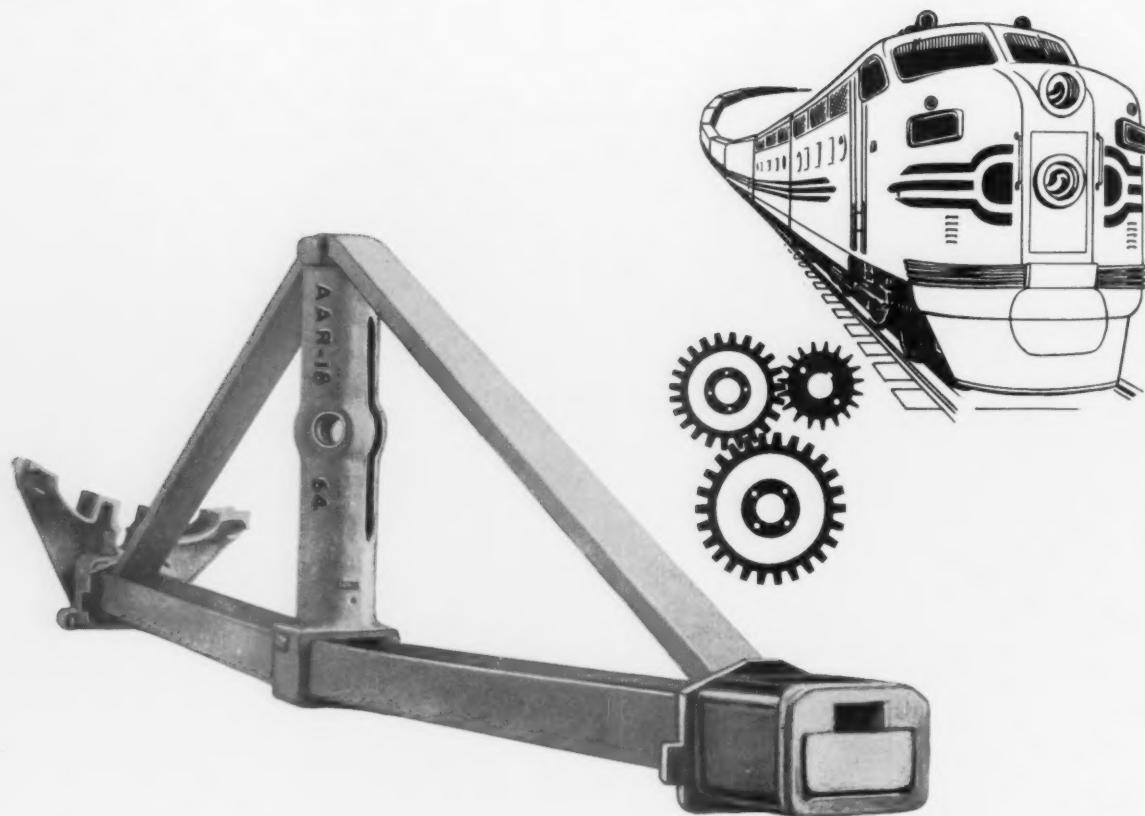
RAILWAY AGE *weekly*



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An Answer
From

21 Railroad Presidents



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Truslock's advanced design makes it the only hangered brake beam capable of meeting every demand placed upon it by future operating requirements....and Truslock's 15-year performance warranty protects your brake beam investment for years to come.

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These new triple-hopper cars are part of the 500 built for the Virginian at Bethlehem's Johnstown, Pa., shops. Designed primarily for coal haulage, they will stand up under many years of hard service.

Nominal capacity of the cars is 70 tons. Bodies are of combination welded-and-riveted construction. To insure longer life, all plates in contact with the lading are corrosion-resistant steel. Running gear includes one-wear wrought-steel wheels and forged-steel axles.

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Length over coupler faces 43 ft 6 in.
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Width over bulbs	10 ft 6 $\frac{1}{2}$ in.
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Cubic capacity, level	2573 cu ft
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Perhaps your own needs may call for a different type or size of car. Whatever your requirements, we are equipped to meet them in full. Give us your specifications—or, if you prefer, our engineers will be glad to design the car. In either event, the Bethlehem shops will follow through promptly with a first-class production job.

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One man controls an entire railroad with this new traffic control center

Here's the latest in railroad traffic control: it's Union Switch & Signal's new *miniature* Traffic Control Center. It puts control of an entire railroad at arms reach. And this new control center can be applied to all types of interlockings, as well as to CTC: it can be used with any existing control system. This new control center can *multiply* efficiency and save valuable space.

It's smaller. The photo shows a basic unit; it's only 4'8" by 8'11". Yet, it'll do the job of a conventional panel 35' long!

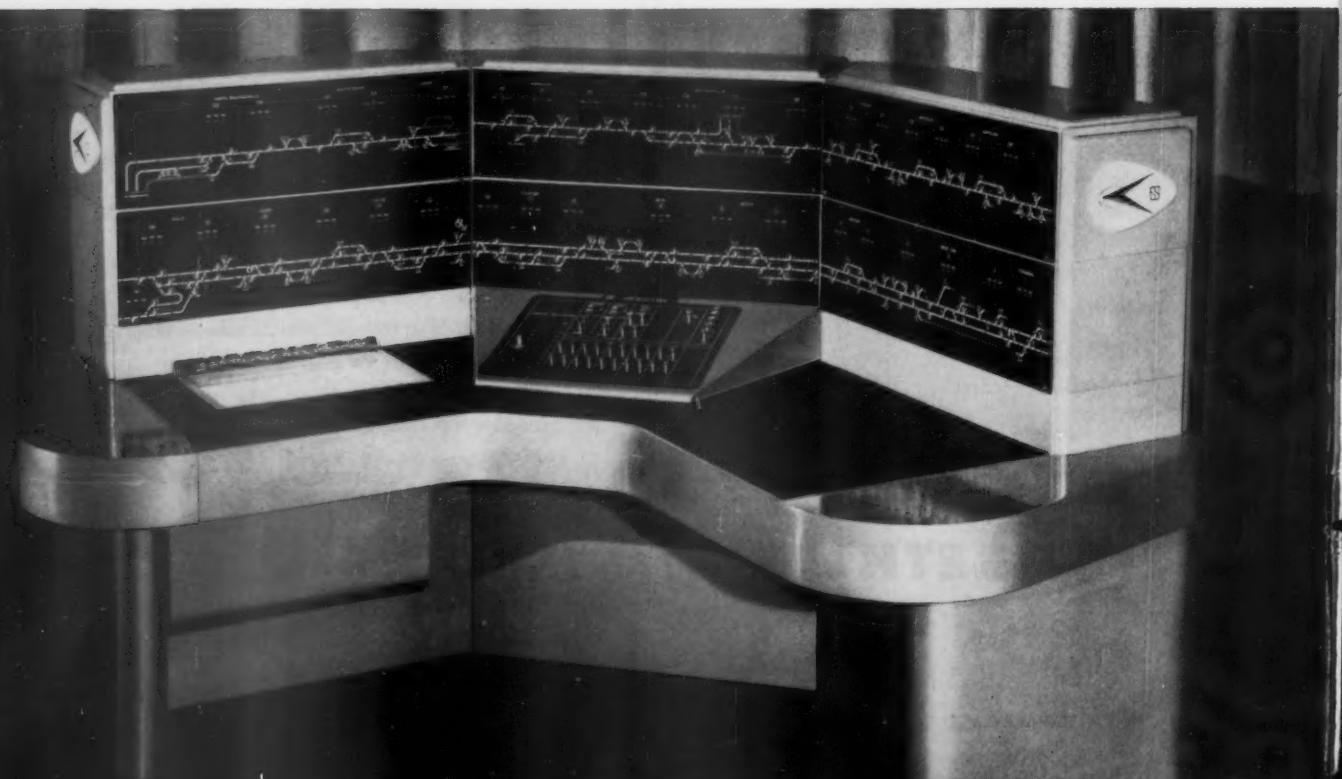
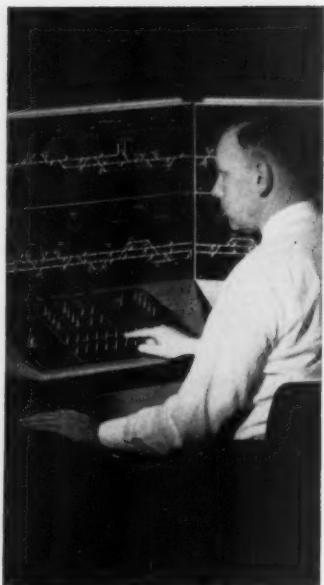
It's simpler. Control levers and buttons are no longer on the frontplate; they are now concentrated in a console right in front of the dispatcher. He can work faster. He can work more accurately.

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Week at a Glance

Departments

Freight Car Loadings	43
New Equipment	43
People in the News	48
Railroading After Hours	40
Railway Market	43
Supply Trade	48
The Action Page	50
Watching Washington	10

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CPR edict stirs up strike talk p. 9

BLF&E blasts Canadian road's "monstrous scheme" to begin eliminating firemen from road freight and yard diesels May 11. Union president says BLF&E can support a strike "as long as the Canadian Pacific would want to tolerate it."

A fresh look at industrial development p. 13

The Chicago & North Western, its "ID" department revitalized gives Wisconsin businessmen some new ideas on plant sites and expansion.

Nine steps to radio saturation p. 16

To improve yard operations and spruce up car inspection, the P&LE has equipped nine yards and 79 locomotives with two-way radio. Ask the men who use the radios: they mean big savings in time and labor.

Ripped by slides, the NWP bounces back p. 20

Rainfall up to 78 inches sent the troublesome Eel River on a rampage. Here's how this Southern Pacific subsidiary whipped its right-of-way back into shape with a mobile, mechanized force.

What's needed to win railroad prosperity tomorrow? p. 24

Last week, a Railway Age picture history told how the railroads got in trouble. Here, in the statements of key railroad leaders, is a formula for survival. Twenty-one industry presidents and two other executives tell what must be done right now.

'PAT' prototype begins tests p. 44

The new piggyback container designed by Pullman-Standard and Trailmobile consists of a trailer box and removable underframe. Aim: to combine the best features of trailer piggyback and container shipping into a single versatile rig.

Smathers Committee working on report p. 46

Transport recommendations to the Senate should be ready within three weeks. Hearings wound up with railway labor's presentations. RLEA's Leighty charges that railroads don't want to compete but yearn for monopoly days of yore.

Action Page—Where defense is weakest p. 50

There's golden opportunity right now to stockpile rail equipment vital to the nation's welfare in event of war. But defense leadership seems to be ignoring the railroads' wartime importance—and the railroads themselves can't afford to maintain the standby resources that once could be counted on.

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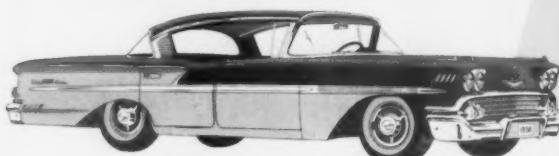
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Week at a Glance CONT.

Current Statistics

Operating revenues, two months	
1958	\$1,472,263,392
1957	1,672,225,379
Operating expenses, two months	
1958	\$1,250,405,280
1957	1,332,518,971
Taxes, two months	
1958	\$133,868,012
1957	171,248,081
Net railway operating income, two months	
1958	\$40,633,600
1957	124,329,795
Net income estimated, two months	
1958	\$8,000,000
1957	93,000,000
Average price 20 railroad stocks	
April 8, 1958	67.51
April 9, 1957	90.20
Carloadings revenue freight	
Thirteen weeks, 1958	6,974,620
Thirteen weeks, 1957	8,627,130
Average daily freight car surplus	
Wk. ended Apr 5, 1958	115,145
Wk. ended Apr. 6, 1957	7,603
Average daily freight car shortage	
Wk. ended Apr. 5, 1958	30
Wk. ended Apr. 6, 1957	1,297
Freight cars on order	
March 1, 1958	43,750
March 1, 1957	111,965
Freight cars delivered	
Two months, 1958	12,535
Two months, 1957	15,477

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Short and Significant

The day of the \$1 dinner . . .

isn't over yet, inflation to the contrary. Missouri Pacific is serving dollar lunches or dinners and 75-cent breakfasts to coach passengers on its Missouri River Eagle and Colorado Eagle trains. Meals are prepared fresh, served to passengers at their seats. Regular dining car service is also available.

Three hundred aluminum box car roofs . . .

are in service on cars owned by the Grand Trunk Western. The roofs—fabricated by Pullman-Standard to fit its standardized PS-1 cars—were formed from 12 aluminum stampings. Metal was supplied by the Aluminum Company of America.

Automation on the grand scale . . .

may be built into a new Belt of Chicago Clearing Yard. Rough guess on the cost: \$20,000,000. Economies to be gained and the railroad earnings climate will be major factors in making a final decision. Clearing can now hump 6,000 cars a day. A new yard would be part new construction, part use of existing facilities.

Eastern roads want 70% more in mail rates . . .

on top of their claim for \$145 million in retroactive pay. Twenty-six of them told the ICC the two-phased award would save major roads from "financial disaster." It would also bolster the economy and spur rail employment. The Post Office, warning of more diversion of mails from the railroads, has offered a 15% mail pay boost.

Demand for a 25% wage increase . . .

has been served by the Brotherhood of Railway Trainmen on all Canadian railways except CPR-Lines West. The increase would be applicable to miles, hours, overtime, arbitraries and special allowances. The BRT also asked for various work rules changes.

New inspection rules . . .

for locomotives other than steam have been prescribed by the ICC in the Ex Parte 174 case. The controversial rule, 203, which requires locomotives other than steam to be inspected "after each trip, or day's work" is not involved. The railroad petition to have this interpreted as a call for inspections only at the ends of runs (not at every point where crews are changed) is the subject of another case.

Class I railroads reported a deficit . . .

of \$9,000,000, after interest and rentals, in February. This compared with net income of \$48,000,000 in February 1957. The AAR's Bureau of Railway Economics also reported that 42 Class I roads failed to earn interest and rentals in the first two months of 1958. In the 12 months ended with February, the rate of return averaged 3.05 per cent, compared with 3.95 per cent in the previous 12 months.

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There is only one radio designed specifically and exclusively for railroads. It is the Sperry Transistorized Single-Pack Radio. This radio incorporates the technical features and performance characteristics asked for by the railroads themselves... right down to a handle, sized for a railroader's fist. It is no conversion job... this radio operates at highest efficiency, is ruggedly constructed for rail service with a minimum of maintenance and down time.

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New patent-applied-for transistor power-supply circuit gives close to 90% operating efficiency... reduces power requirement, eliminates possibility of damage through overheating... runs cool... needs no heavy heat sinks or radiating fins.

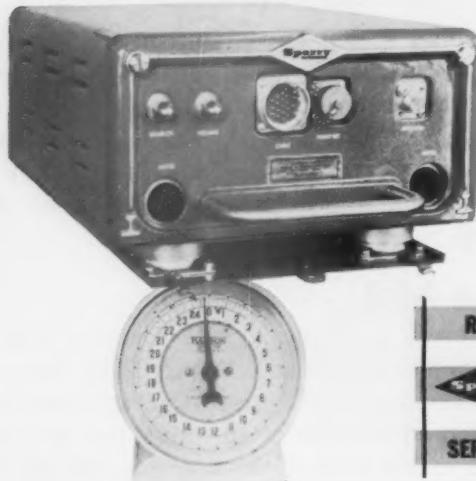
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Easy interchange between 12-volt, 72-volt and 117-volt operation with slide-in power-supply. Lowest inventory... Stock only plug-in units instead of complete sets.

Simplest for maintenance and FCC checks because each plug-in chassis is complete in itself. Four-channel communication.

Front-panel metering for simpler testing. One compact case 17" long, 12" wide, 7" deep with shock mount; 6" deep without shock mount. Weighs only 25 lbs.

DESIGNED TO MEET ALL AAR SPECIFICATIONS
Sperry Transistorized Single-Pack Radio is the answer to the special needs of railroad communications. Compare Sperry with any of its competitors and Sperry services with any competing services. When you've done this, you'll find that every single factor of performance, construction and potential economy points to one radio system... Sperry. A special engineering team will carry out, at your request, comprehensive surveys of your whole communications system requirements. Write today for complete information.



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CPR Edict Stirs Up Strike Talk

BLF&E pledges 'economic and moral support' to Canadian members resisting CPR plan to begin eliminating firemen from road freight and yard diesels May 11. BLF&E chief wants personal meeting with CPR president.

Road freight and yard diesel firemen are waging a last-ditch fight to hang onto their Canadian Pacific jobs.

A strike by the Brotherhood of Locomotive Firemen & Enginemen against the CPR appeared to be a definite possibility last week in the wake of:

- The CPR's announcement that it will begin eliminating more than 2,400 firemen from road freight and yard diesels May 11.

- A pledge by BLF&E officers that they will support the brotherhood's Canadian members "in whatever course they may deem prudent or justified in following against the monstrous scheme of the Canadian Pacific."

- BLF&E President H. E. Gilbert's statement that the union is in a financial position to support a strike "as long as the Canadian Pacific would want to tolerate it."

Meanwhile, Mr. Gilbert asked for a face-to-face meeting with CPR President N. R. Crump in an effort to reach a settlement of the 16-month-old firemen controversy.

"If he [Mr. Crump] stays put in the position already taken," said Mr. Gilbert, "the results are obvious."

Mr. Crump had outlined his position a few days earlier in a tersely worded announcement.

He said the CPR had "postponed action in the hope that the firemen's union would accept the changes which the Kellock Royal Commission found justified after lengthy investigation."

However, the CPR president added:

"The continued insistence of the firemen's union that the Canadian Pacific retain firemen on freight and yard diesels when there is no work for them to do can no longer be allowed to prevent the railway from providing the economic and efficient transportation service to which Canada is entitled."

The CPR dispute is under close scrutiny by U. S. railroads. The Canadian National also is now attempting to negotiate for elimination of road freight and diesel firemen. Many U. S. railroad men feel that the presence of firemen on yard and freight locomotives is a costly anachronism. The issue may not be joined in the

U. S. until the current moratorium on contract revisions ends on November 1, 1959.

But Mr. Gilbert has expressed fear that if the CPR is successful in its efforts to drop firemen, "U. S. railroads will make all the mileage they can get out of it."

The Kellock Royal Commission was appointed to investigate the CPR dispute after a strike that idled 70,000 CPR employees for nine days early in 1957. After a year of hearings, the commission found the CPR justified in attempting to eliminate firemen from road freight and yard diesels.

"Their functions," said the commission's report, "have either totally disappeared . . . or are a mere duplication of what is discharged by another or others."

The BLF&E rejected the report, and another impasse developed. It was broken by Mr. Crump's announcement that the CPR was finally ready to implement the commission's findings.

First to go, said a CPR spokesman, will be 100 firemen who have less than two years seniority. Wherever possible, they will be given priority for other jobs on the railroad.

Eventually, more than 2,400 firemen will be eliminated—although some 450



C&O Readies 'Chessieliner' for Service

Chesapeake and Ohio's new "Chessieliner," a three-unit Budd RDC train, will go into service between Newport News, Va., and Charlottesville April 27. The "Chessieliner" will take over the Newport News-Charlottesville leg of "Sportsman" service, and the Newport

News-Richmond leg of the "George Washington" run. C&O swapped the Chicago & North Western three lightweight, reclining seat Pullman-Standard coaches for the three RDCs (Railway Age, Sept. 23, 1957). Train can accommodate 240 revenue passengers.

will remain in service on passenger diesels. All firemen currently employed will be protected by the CPR's "gradual elimination" plan.

Under this plan, 1,900 firemen with five years' service will continue in their jobs with full seniority rights. Their jobs can be eliminated by retirement or promotion.

Another 477 firemen with two to five years' service will be offered available work as trainmen or yardmen, as such work develops.

The "gradual elimination" plan, which was approved by the Royal Commission, will cost the CPR an estimated \$38 million. But the railroad figures it will eventually save \$11,500,000 a year by easing firemen out of these "unessential" jobs.

The BLF&E's pledge of support for the Canadian members of the brotherhood came out of a meeting of union general chairmen in Chicago last week.

In a resolution condemning the CPR's action, the union officers said the elimination of firemen was "diametrically opposed to public and employee interests."

They pledged to throw "all forces of economic and moral support of the offi-

cers and members" of the brotherhood into the Canadian fight.

Mr. Gilbert fired off his request to the CPR president during the union's Chicago meeting. He said it was his second request for a face-to-face meeting. He said he had discussed a similar proposal with two lower-ranking CPR officers before completion of the Royal Commission's report.

The BLF&E chief asked for the meeting "to review the situation realistically—entirely divorced, if you please, from rancor or a survival-of-the-fittest attitude."

He added:

"Whatever decision is reached—either in the direction of industrial peace or toward serious repercussions—will be determined largely by the degree of management-labor statesmanship that asserts itself."

If no solution to the deadlock is found, a strike vote is probable. Procedure would involve expression of opinion by the membership as to the course to be followed. This expression would then be reflected in a formal vote of the BLF&E's 39-member CPR general committee.

Although the union contends that the conciliation board avenue of approach

has been exhausted, there were indications that some legal questions may have to be settled before strike machinery could be set in motion.

One point at issue, a BLF&E officer indicated, is the action of the CPR to implement the Royal Commission report. The brotherhood contends that the carrier is "proposing amendments to the contract beyond what was recommended" by the commission.

While Mr. Gilbert and some 350 Brotherhood officers were meeting in Chicago, the union released a 23-page blast at the Royal Commission report.

The union called the CPR's elimination plan a "sugar-coated palliative born and nurtured in deception."

"Firemen-helpers on the Canadian Pacific Railway," declared the union, "will not barter away extermination of their essential craft responsibilities for superficial job security."

One observer expressed the belief that any strike action on the part of the BLF&E might result in anti-strike legislation in Canada. He said this might be the government's only way of averting a major rail tie-up that could be "disastrous" for a recession-weakened economy.

Watching Washington with Walter Taft

• REPORT OF SMATHERS COMMITTEE, with legislative recommendations to the Senate, is expected before the end of this month. The committee's public hearings on the "deteriorating railroad situation" ended April 3, but much staff work remained to be done on the material submitted in presentations of 102 witnesses.

RAILROAD MEN ARE OPTIMISTIC that the report will favor some part of the industry's program, and that the recommendations will result in legislation at this session of Congress. While the whole program is the industry's goal, hopes appear highest for one or more of these things: repeal or reduction of the transport excise tax, tightening of the Interstate Commerce Act's agricultural exemptions and its definition of private carriage, income-tax relief to ease the financing of new equipment and other facilities.

ENCOURAGING MOVE on the House side has been made by the Committee on Interstate and Foreign Commerce. It has scheduled hearings, beginning next week, on agricultural-exemption and private-carrier-definition bills.

• RAILROAD LOAN BILL to be supported by the AAR should be introduced soon. Its proposed provisions include a preamble which would point up the emergency confronting some roads, meanwhile emphasizing that the loan plan is not intended to take the place of the industry's long-range program.

LOAN FUND would be set up in the Department of Commerce, and the lending authority would terminate

December 31, 1960, unless extended by Congress. The Secretary of Commerce, with ICC approval, could make loans from the fund to needy roads. They would be "for any railroad purpose"—operating expenses (including deferred maintenance), replenishments of working capital, capital expenditures, service of debt, etc.

• FIRST RAILROAD LEGISLATION to come out of the present session of Congress was opposed by the railroads as a make-work measure. It will give the ICC power to prescribe rules for inspection, testing and maintenance of train brakes.

PRESIDENT EISENHOWER is expected to sign the bill into law. Congressional action was completed April 3. House amendments were then accepted by the Senate which passed its own version last year.

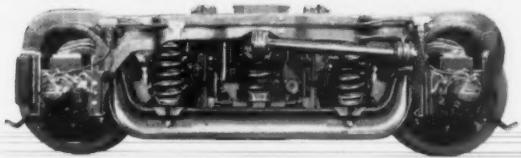
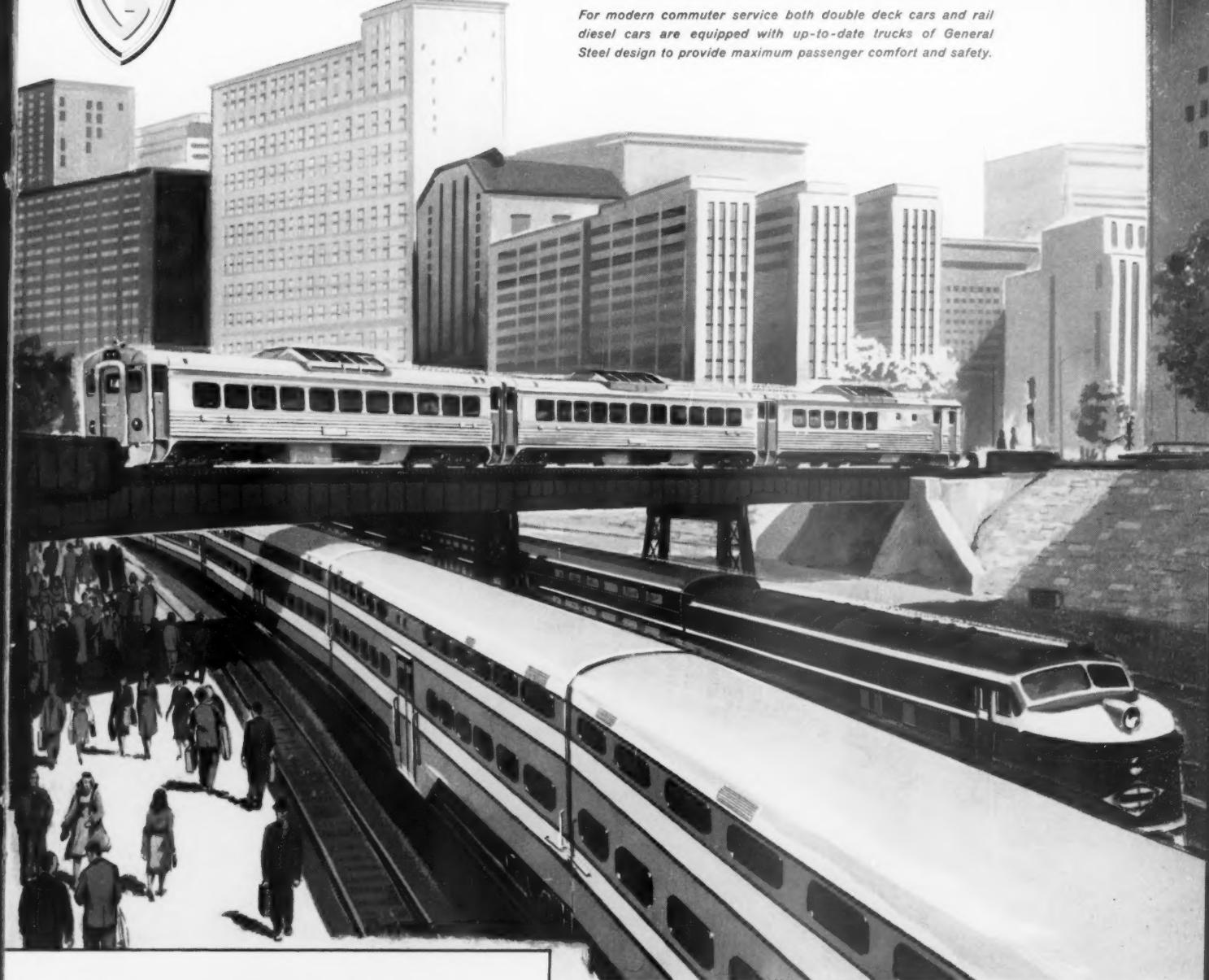
THE BILL'S LEGISLATIVE HISTORY is good. It records ICC assurances that it will not be construed as a train-limit measure. That record was made in the House. Chairman Harris of the Interstate Commerce Committee had a letter from ICC Chairman Freas. It said the commission's advocacy of the bill "was not for the purpose of regulating the length of trains, and it has no intention of attempting such regulation."

PRESENT AAR BRAKE RULES must be adopted by the commission as its own initial regulations. They will thus become mandatory. But they can be changed by the commission, as it may subsequently order "after hearing."



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The new, strutless link for Cat D8 Diesel Tractors is an example of this emphasis on quality. Each link is able to bear the entire weight of the tractor, over and over again, in the roughest of terrains and climates. This is how Caterpillar makes sure these links meet this challenge:

All steel used for links is given an extensive series of tests *before* manufacture. In the Caterpillar Metallurgical Laboratory it is first analyzed for chemical composition by a spectrograph—slight variances in chemical make-up can result in big differences in the finished product. Then the steel is tested for hardenability; in

other words, the degree to which it will respond to heat treating. Resistance to impact loads is measured to insure the track link will give maxi-

best way to make a link. Forgings are more dense. They have "inner flowlines"—the equivalent of grain in wood—following the contour of the part, providing greater strength at critical locations as well as resistance to breakage.

"Dubbed-off" link ends eliminate damage to rollers and mating links. Strategic designing of steel into the bushing boss and arch improves fatigue strength. Links are *double* heat treated, furnace heated for a tough core, and "Hi-Electro" hardened for a deep, superhard rail surface.

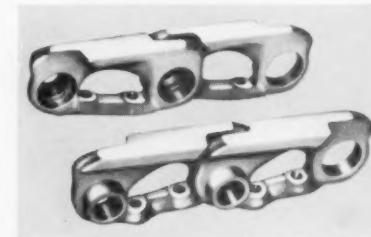
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LINK STRENGTH is measured on this hydraulic press. The design of Caterpillar track parts is under constant examination by the most extensive research facilities in the industry.



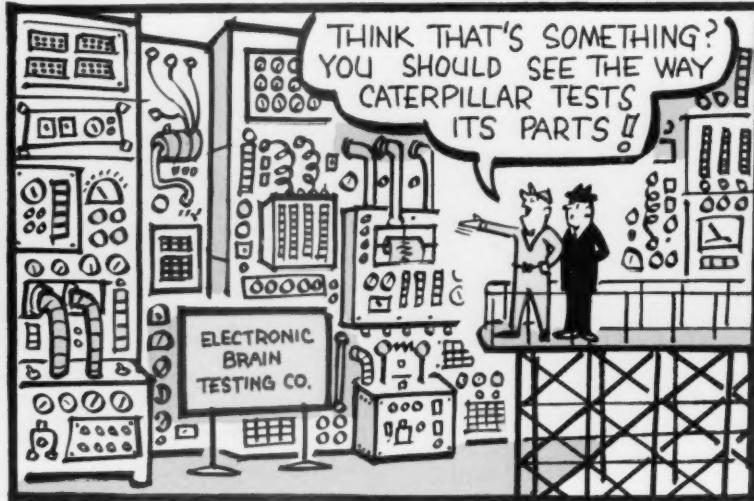
New, strutless link for Caterpillar D8 Diesel Tractors.

mum performance under all conditions. Steel that cannot be made into Caterpillar quality links is rejected.

The new D8 link is forged—the

SERVICE TIP

For maximum life, tracks should have 1½" to 2" of slack. Your Operation and Maintenance Instructions have complete adjustment details.



C&NW GIVES DAIRY STATERS . . .

A Fresh Look at Industrial Development

Wisconsin community leaders went home from a recent Milwaukee conference with their civic enthusiasm for attracting industry bolstered by some of the science of industrial development. The all-day conference, sponsored by the Chicago & North Western, was probably the first of its kind conducted by a railroad.

Invited to Milwaukee were community officials charged with wooing new industry to C&NW-served towns. Just under 300 came. The North Western went to Chicago, Atlanta, New York and Dearborn, Mich., to get speakers Wisconsinites probably hadn't heard before. They included General Electric's John T. McCarty; Industrial Development Magazine's H. McKinley Conway; Ford's Otto W. Pongrace; University of Chicago's Seaway expert Harold M. Mayer; Real Estate Research Corporation's James C. Downs, Jr.

The railroad's objective: To help Wisconsin communities get industry by exposing them to the counsel of leaders in the field. Ultimate effect on C&NW traffic, the road feels, can only be good.

Chairman Ben W. Heineman keynoted the meeting for his railroad. "We can and

must assist industrial development by operating the most efficient and effective transportation system possible," the dynamic executive declared.

He hinted indirectly at the agency consolidation petition due for filing in Wisconsin in mid-April: "We could eliminate the uneconomic services we provide overnight without seriously inconveniencing the people. But we must retain our freight service or the state will grind to a halt.

"So when a railroad comes to a state and seeks a cutback in uneconomic services, ask yourself, 'is this a service we genuinely need? Will its discontinuance advance that need or not?' We would be happy to have every proposal judged by that test."

North Western's Wisconsin conference is tied directly to a revitalized industrial development department headed by youthful Gene F. Cermak. Last year the road was instrumental in locating 83 new industries and expanding 15 others along its lines in Wisconsin alone. And during the Milwaukee meeting, another industry had telegraphed that it had joined up: American Agricultural Chemical Company will build on 77 acres at Johnson Creek.



INTANGIBLE ASPECTS were picked out by GE's McCarty.



INTERESTED SPECTATORS: C&NW's President Fitzpatrick and Chairman Heineman.



ALL-DAY SESSION exposed Wisconsinites to new viewpoints—like that of Chicago U's Dr. Mayer (speaking). He sees St. Lawrence Seaway aiding nearly all the state.

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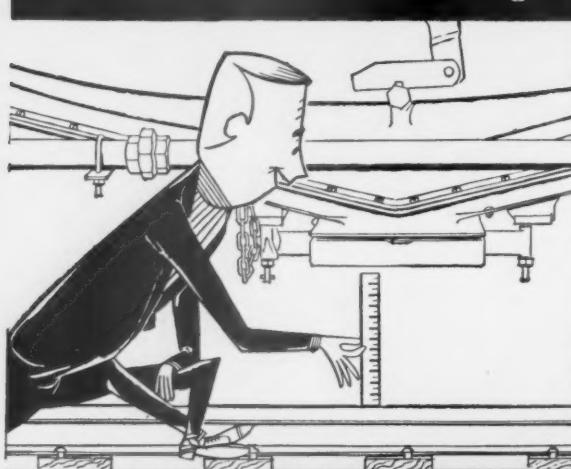
No sanitation problems in transit



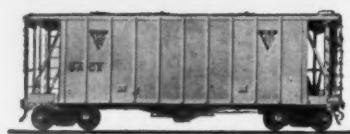
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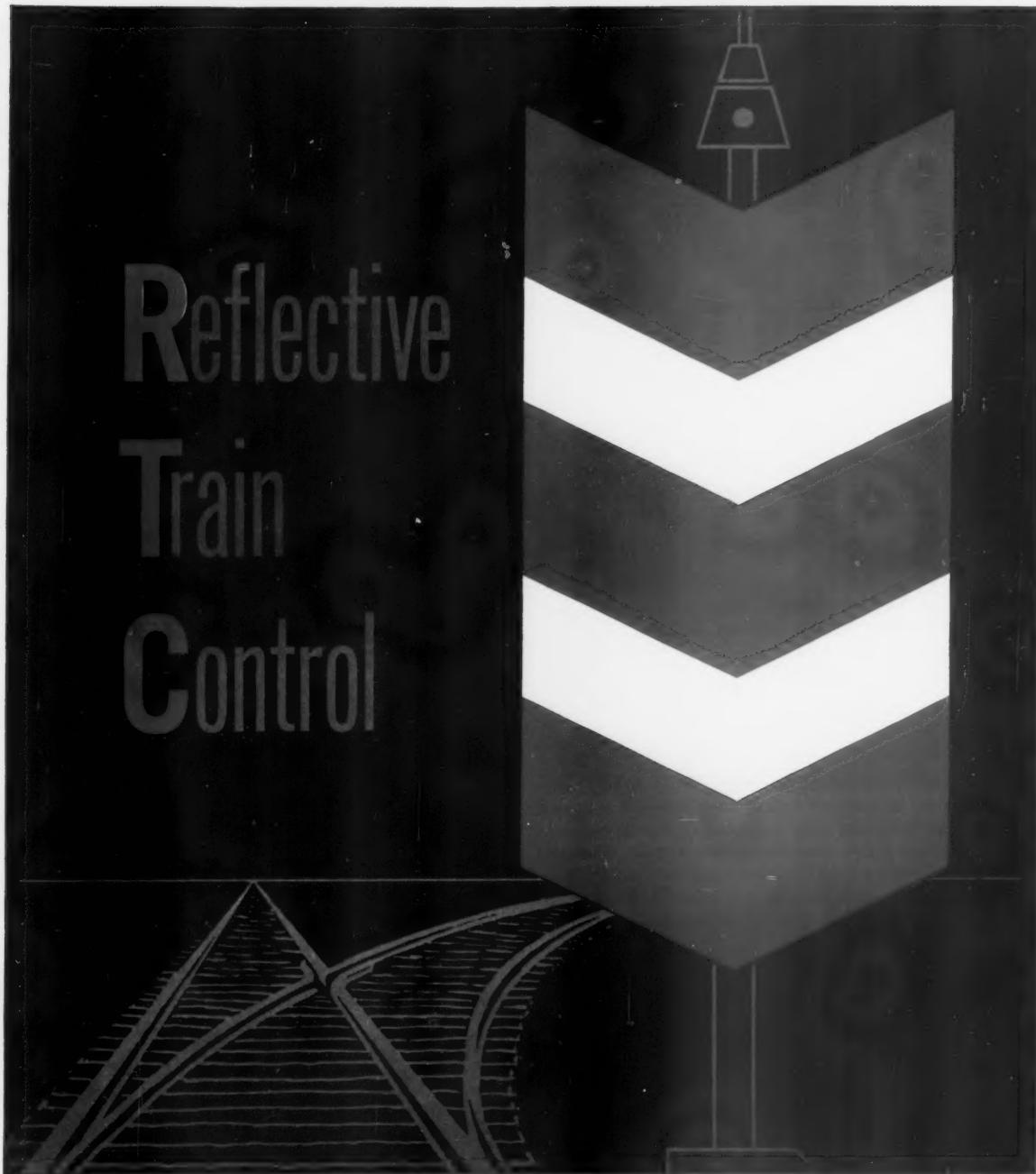
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P&LE Blankets its Yards with Radio

Nine major yards and 79 locomotives are getting two-way radio on the 75-mile Pittsburgh & Lake Erie for two major reasons: to improve general yard operations and help car inspectors do a better job. Here's how the system works in one of the nine yards.

"I never lose an engine now," is a typical remark of a P&LE yardmaster at Youngstown now that he has radio to work with his switching crews.

Yard operations involving radio at Youngstown are generally similar to those at the other eight major yards so equipped, and may be considered typical. In addition to the west yardmaster, the general yardmaster and five other local yardmasters within approximately six miles have local controls off the radio base station near the general yard office. Most of these yards at Youngstown are strung end-to-end along the Mahoning River, and many feed directly into steel mills. Thus the radio provides direct two-way communications between yardmasters and locomotives switching in the steel mills. This has been an important time saver, when the mills request switching service.

Radio communications enabled the yardmasters at the various yards to obtain more flexible and efficient operations. Now they can issue their work orders at the beginning of each trick, and change them instantly as conditions change.

Car Inspectors Use Radio

Car inspectors at Youngstown are now saving considerable time in walking, and as one inspector stated, "We're working with greater safety now that we have radio." Each inspector carries a walkie-talkie, which by operating in conjunction with radio repeater stations, enables the inspectors to talk to each other and to lead inspectors, the inspector foreman, and the yard foremen. These sets transmit on one frequency and receive on another. To provide solid radio coverage two walkie-talkie receiving stations

are spaced about three miles apart in the yard. The walkie-talkie transmitting station is midway between these receiving stations. Five offices have remote control units, enabling the men to use the car inspection radio system. Intercom circuits also extend between these offices for direct calling without going "on the air."

One of the most important uses of radio by car inspectors is for coordinating their actions, when they set out or remove blue flags signaling that men are working on cars and that the cars should not be moved.

"Jim, I'm ready to set out my flag," calls Bill. "Ok, Bill," replies Jim. Thus both men know that they are protected. Before they remove their flags, they call each other to be sure that they remove the flags simultaneously. Although a telephone yard line runs through the yard, the inspectors are doing less walking since they have been using radio. Now when they finish inspecting a train, they radio the foreman, who gives them their next assignment and they go directly to it. Formerly they might walk a half-mile or more to the yard line to phone in, and then learn that their next assignment was on the track next to the one they had just finished working.

The inspectors also use the radio for asking the foreman about repairs to be made in the yard, and bad order cars. If they are on short time, that is, a train is soon to depart, the yard foreman will call the yardmaster for an engine to pull the bad order car. The yard foreman's radio console has a toggle to give him control of the yard base station, so that he can radio a yard engine if necessary. He also has an intercom circuit to the yardmaster, which he uses to call him.



THE BIGGEST TIMESAVER there is for contacts with the general yardmaster is the direct intercom circuit that connects yard offices at Youngstown.



CAR INSPECTOR carries nine-pound transistorized Motorola packset with built-in speaker so he can hear calls while writing down bad order car numbers.

Communications

A car checker working out of the car repair shop has the job of inspecting bad order cars in the yard and deciding whether the car is to be repaired in the yard or is to be pulled and sent to the car repair shop or rip track. Formerly, the checker would pick up the bad orders at the foreman's office and then go out to inspect these cars. When finished, he went to one of the yard line phones and called in, telling the foreman what cars were to be repaired in the yard and what ones had to be pulled and sent to the rip track. Now as soon as he finishes with a string of cars on a track, he radios the foreman as to their handling. As the inspectors report in concerning bad orders, the checker immediately hears their reports on his walkie-talkie. Thus he can go over to look at these cars without going to a phone to call the foreman.

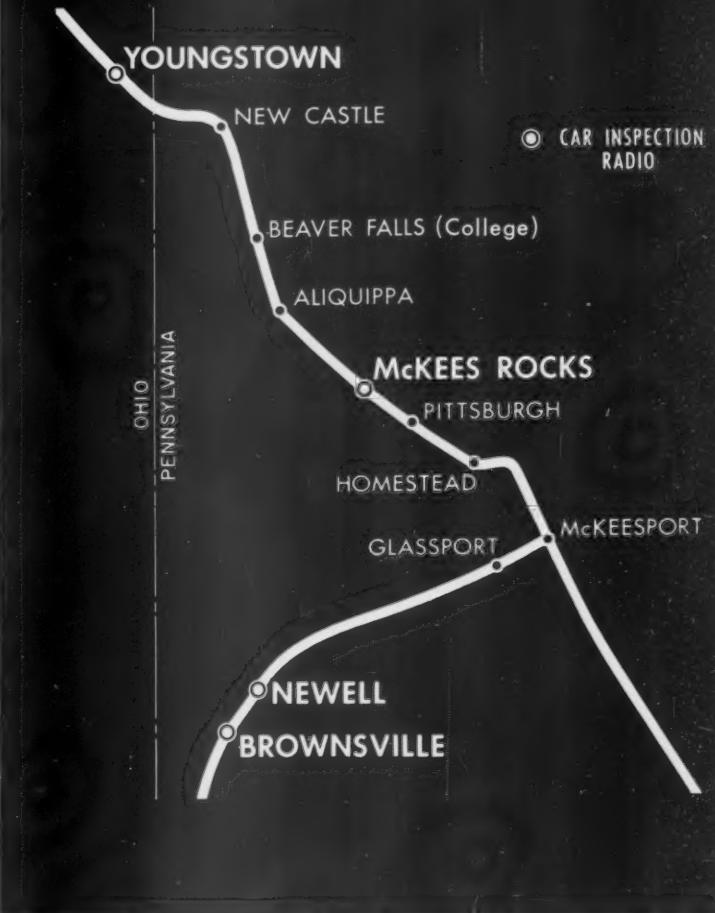
Time and Step Saver

The car repair shop checker also works the New Castle yard, which is 18 miles south of Youngstown. Now with the radio, he is often called by the foreman who tells him that he is wanted at New Castle as soon as he has finished his present checking work. "This radio has been the biggest time and step saver for me," remarked one of the checkers. "Quite often when I am out in the middle of the yard, a call comes for me to go to New Castle. Now they don't have to hunt for me. Also, I don't have to arrange my work so that every hour or two I should be near a phone to call in to see if I am wanted at New Castle."

The P&LE has installed a similar car inspection system at McKees Rocks yard. This will permit the leading car inspector's office and other car inspectors' buildings in the area to have direct contact with the men in the yard while they are inspecting trains, and will further provide communication between the car inspectors themselves while they are working in the yard. A chief car inspector's jeep has been radio equipped, which enables the inspector working between Newell and Brownsville, Pa., five miles, to be in contact with his men while they are moving from one yard to another.



ENGINES have Motorola radio handset and speaker in cab. Footboard speaker on front of engine enables switch crew foreman to make and receive calls.



NINE MAJOR YARDS on the P&LE extend from Youngstown, Ohio south 75 miles to Glassport, Pa. Coal and iron ore traffic predominate, with finished steel products a close second. Many of these have direct connections to primary steel producers and fabricators.



YARD FOREMAN hears inspectors' calls. Intercom feature enables him to call yardmaster for an engine to pull a bad order car to the rip track.

ANNUAL REPORT FOR 1957

NORFOLK and WESTERN RAILWAY

General Offices • Roanoke, Virginia



Contrary to the general trend in the railroad industry, the Company set new records in 1957 for freight tonnage handled, total operating revenues, net income and earnings per share of common stock.

Total freight handled, measured by revenue ton miles, rose 3.8 per cent. Income from all sources was \$265 million, compared with the previous record of \$254 million in 1956. Earnings on common stock were \$7.75 a share, 36 cents above the record figure for the preceding year. Dividends on the common stock totaled \$4 a share, compared with \$3.75 a share in 1956.

Capital expenditures totaled \$70.1 million, largely for the purchase of 120 diesel locomotive units and the acquisition of 4,135 freight cars, 4,082 of which were built in our Roanoke Shops.

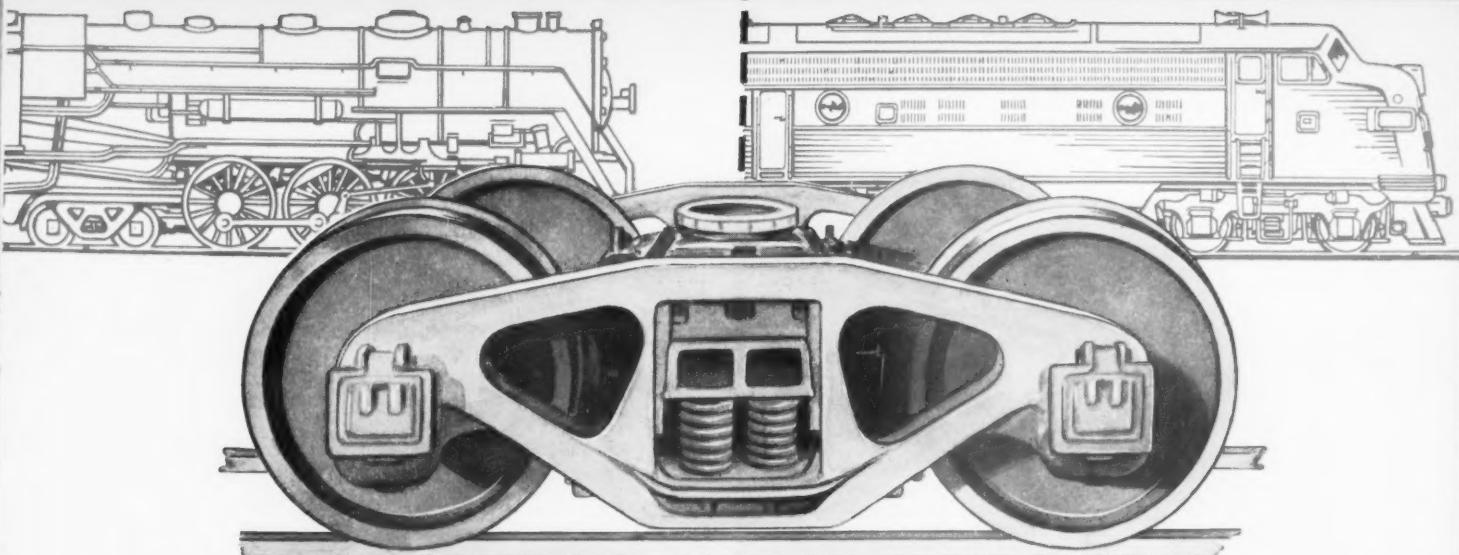
N & W BRIEFS

	1957	1956	1955	1954	1953
Earnings per share of Common Stock.....	\$7.75	\$7.39	\$6.70	\$4.52	\$4.83
Taxes per share of Common Stock.....	\$8.44	\$8.07	\$7.88	\$4.89	\$6.59
Dividends paid per share:					
Adjustment Preferred Stock.....	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Common Stock.....	\$4.00	\$3.75	\$3.75	\$3.50	\$3.50
Taxes (Millions).....	\$47.5	\$45.4	\$44.3	\$27.5	\$37.1
Expenditures for Property and Equipment acquisitions and improvements (Millions).....	\$70.1	\$62.0	\$16.4	\$17.7	\$32.4
Debt Outstanding (Millions):					
Mortgage Bonds.....	\$35.6	\$35.8	\$35.8	\$35.8	\$35.8
Equipment Obligations.....	\$34.4				
Times Fixed Interest Charged Earned.....	23.65	30.68	27.97	19.24	20.60
Number of Share Owners.....	31,150	31,312	32,372	31,818	31,022
Bituminous Coal Revenue Tonnage (Million Tons).....	59.8	58.0	51.7	40.1	45.5
Other Revenue Tonnage (Million Tons).....	17.6	19.2	18.7	16.2	18.2
Average revenue per ton mile (Cents).....	1,015	1,006	0.980	1,038	1,050
Gross ton miles per freight train hour.....	87,492	79,182	77,547	72,670	71,991
Miles of road operated.....	2,132	2,129	2,128	2,134	2,135

CONDENSED INCOME STATEMENT

	1957	1956	Increase or Decrease	Per Cent
REVENUES AND OTHER INCOME:				
Freight—Bituminous Coal.....	\$164,310,762	\$152,544,453	Inc. \$11,766,309	8
Other.....	71,404,141	72,516,813	Dec. 1,112,672	2
Passenger.....	3,220,145	3,538,371	Dec. 318,226	9
Mail, Express and Miscellaneous.....	12,198,044	11,063,334	Inc. 1,134,710	10
Total Railway Operating Revenues.....	251,133,092	239,662,971	Inc. 11,470,121	5
Rent Income—Equipment and Joint Facilities—Net.....	12,348,422	11,947,152	Inc. 401,270	3
Other Income—Net.....	1,829,433	2,602,980	Dec. 773,547	30
Totals.....	265,310,947	254,213,103	Inc. 11,097,844	4
EXPENSES AND OTHER CHARGES:				
Way and Structures—Repairs and Maintenance.....	33,296,923	31,347,510	Inc. 1,949,413	6
Equipment—Repairs and Maintenance.....	49,280,463	49,379,984	Dec. 99,521	
Transportation Operations.....	73,435,616	70,430,515	Inc. 3,005,101	4
Other Expenses.....	15,320,927	13,759,693	Inc. 1,561,234	11
Total Railway Operating Expenses.....	171,333,929	164,917,702	Inc. 6,416,227	4
Taxes Other than Federal Income.....	17,121,793	16,001,876	Inc. 1,119,917	7
Interest on Long Term Debt.....	1,969,466	1,431,668	Inc. 537,798	38
Totals.....	190,425,188	182,351,246	Inc. 8,073,942	4
EARNINGS BEFORE FEDERAL INCOME TAXES.....	74,885,759	71,861,857	Inc. 3,023,902	4
Federal Income Taxes.....	30,350,000	29,375,000	Inc. 975,000	3
NET INCOME.....	44,535,759	42,486,857	Inc. 2,048,902	5

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*Patent applied for

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DISCOURAGING TASK

Aftereffects of heavy rain left track sections buried under whole hillsides. At Dos Rios, Cal., above, bulldozer in background attacks slide. In other sections, earth was washed out from under rails, presenting different kind of job for maintenance forces. Repair gang, right, is at a point about 90 miles from the roads' northern terminus at Eureka. Great number of slides and washouts complicated restoration. By acting swiftly with sufficient manpower and mechanized equipment, NWP had things back to normal in five weeks.



Ripped by Slides, NWP Bounces Back

The Eel River canyon, habitual troublemaker for the Northwestern Pacific, has been at it again. Rainfall ranging up to 78 inches started the trouble this time. Loosened by the soaking, the walls of the canyon, always unstable, descended on the railroad line in the form of countless slides. The river itself reached up from below to tear at the roadbed.

With its line riddled by the attack, this Southern Pacific subsidiary, which runs from San Francisco Bay north to Eureka, Calif., struggled for weeks to restore normal service.

Here's how the situation developed:

January 30—Passenger service was "knocked out" due to slides in the canyon at the north end of the line.

February 15—Freight trains operated with great difficulty until this date when increased storm activity made the canyon impassible.

March 4—The line was reopened to Eureka on a limited basis.

March 10—Freight and passenger service restored to normal.

George L. Morrison, vice-president and general manager, said slides and washouts

in the canyon were so numerous the railroad lost count. "We'd clean up one slide," he said, "and come on two more around the bend." The sliding hillside not only moved down onto the track, but also out from under the rails, causing the roadbed to sink as much as eight feet in some places.

As many as 300 men labored through the storm in an effort to hold the line together. They were supported by heavy equipment but in many places the ground was so soggy it couldn't carry the heavier machines.



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The good oxidation stability of the base stock in Diol RD oils is bolstered by the detergent-inhibitor additive used. Result: greater mileage between oil changes, with consequent lower costs. For data or technical assistance call your local Esso office or contact: Esso Standard Oil Co., Railroad Sales Division, 15 W. 51st St., New York 19, N. Y.

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Never far from the door, one man can upgrade a car in about 15 minutes. High pressure Hot Hydraulic Cleaning washes dirt out of cracks and corners no brush could ever reach.

Freight cars go back into service sooner—and often higher-revenue service—after quick, inexpensive Hot Hydraulic Cleaning with a Vapor Upgrader Senior. For an average of less than a dollar per car, railroads achieve greater utilization of equipment, ease their freight car shortage.

Heart of the system is a Vapor high capacity, high recovery boiler. This supplies high pressure steam to a high pressure injector where the steam jet induces a water stream of 1500 gph at 180° F. and 250 psi. The hot, high pressure steam then is delivered at 175 fps for high velocity scouring.

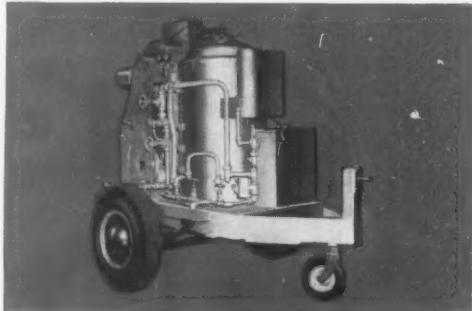
Under this torrent of hot water, dirt and encrustations are loosened and flooded away, yet neoprene or other sealant finishes commonly used on car interiors are unaffected.

When detergents are used with the Upgrader, stubborn oil and grease can be so thoroughly washed out that floor boards need not be removed even if the car is to be used for hauling wheat or sugar.



All traces of lime and cement washed away and no odor left. It took one man only 20 minutes to make this car acceptable for hauling grain. Even hide cars can be upgraded with Vapor Hot Hydraulic Cleaning.

A typical railroad's experience with Vapor Upgrader Hot Hydraulic Cleaning, compared with previous hand-scrub method.



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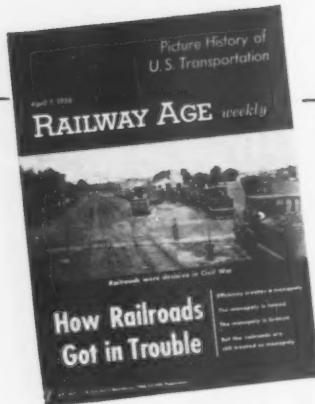
	Scrub Brushes & Cold Water	Upgrader 180° F. Blast Washing
Hours required to clean one car	2.5 (3 cars per day per man)	.25 (30 cars per day man plus Upgrader)
Cost Per Car:		
Labor	\$5.50	\$0.55
Fuel	nil	0.332 or less
Water	0.023 or less	0.023 or less
Amortization & Maintenance	nil	0.075 or less
Total cost per car	\$5.52 or more	\$0.98 or less

Considering the cost of brushes, buckets, water and other incidentals of hand washing, it is evident that Upgrader Hot Hydraulic Cleaning saves about 85% of the cost of cleaning cars and does a faster . . . far better job.

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What's Needed to Win

Last week's Railway Age carried the front cover pictured at the left—and an accompanying report on how the current "deteriorating" industry situation developed. Here's a digest of railroad leaders' views on what needs to be done now to prepare for the future. Twenty-one presidents of railroads and the AAR, and two other industry executives, state the case.

... a future which can keep pace with that of any other industry

• J. A. Fisher,
Reading



Because of the rapid advances made in the "electronic era" of railroading, and the latent potentialities of plans still on the drawing boards—there is little doubt in my mind that the time is approaching when large segments of a railroad—or an entire railroad—can be controlled automatically from a central control point.

All the basic elements for this are now present. We have the means for automatic control of train movement over the main line, branch lines and through complex yards; we can classify cars automatically in yards; we have "electronic brains" for handling of information on consists of trains, car accounting, record keeping and statistical control.

Then what is missing? I call this missing link between today and tomorrow a "master brain"—an electronically controlled system which can coordinate and control the automation we already possess.

How will it come, and when? That's quite a question. But it will come a step at a time—through research . . . the time?—maybe 25 years, or less. . . . And it promises a future which can keep pace with that of any other industry.

Congress could help the railroads by doing away with the 30% reserve they have to maintain in depreciation accounts

• C. A. Major,
Lehigh Valley



The Congress should pass legislation terminating the 30% reserve the railroads have been required to maintain. Is there any other industry not allowed full depreciation?

... a ringing challenge to the transportation industry, especially to the railroads

• G. P. Brock,
Gulf, Mobile & Ohio



We see the future in terms of growth—greater prosperity—increased productivity. Our economy will expand with our population. The resulting heightened demand for goods and services presents a ringing challenge to the transportation industry and especially to the railroads as its largest single segment. Rapid, low-cost, mass transportation, which the railroads are better able to provide than any other agency, will surely meet this challenge. The promise of the years ahead cannot be realized under the restrictive, outmoded laws of the past. Enlightened legislation now giving railroads a fair opportunity to compete on equal terms with other forms of transportation will convey assurance that there will exist "the railroad of the future."

Not handouts but a fair chance to survive as a free enterprise

• A. K. Atkinson,
Wabash



The financial deterioration of the U.S. railroads . . . is the result of long-standing regulatory laws and policies which have held railroads to a starvation diet of inadequate earnings while burdened with rising costs and excessive taxation. Simultaneously, their regulated and unregulated competitors have been nursed to full maturity with public subsidies in the form of billions of dollars poured into highways, airports and water-

Railroad Prosperity Tomorrow?

ways. Devastating competition has been encouraged to thrive in a transportation climate which exempts water carriers of bulk commodities and truckers of "agricultural" products from regulation, and also exempts all private carriers from the transportation excise taxes.

Essential to our nation's economic growth and defensive strength is a sound, well-diversified and efficient transportation system. The railroad network has always been the backbone of our interstate commerce, and there is nothing available now in the planning stage to take over its job of mass transport. A new and effective set of transportation rules, based on equality of opportunity among all competitive forms of public and private carriage, is the only answer short of nationalization. I do not believe it is too late, but effective action by the Federal Congress must not be further delayed.

More, not less, transportation is needed to keep America strong

• W. A. Johnston,
Illinois Central



Looking at the shape of things to come, with an ever-increasing population and continuing rise in per capita production, it is obvious that more—not less—transportation will be needed to keep America strong. Railroads integrated with other forms of transport can and must and will meet that challenge.

To insure that the challenge will be met without faltering or delay, certain changes are needed in our laws and administrative procedures. Exactly what changes are needed have been made abundantly clear in the recent hearings at Washington and have been widely reported to the American people. In fact, more words have been printed and broadcast on this subject than have ever before been devoted to any subject in which the railroad industry was involved.

However, to be perfectly realistic, it must be noted that there have been hearings and studies on this subject many times in the past. . . .

All these studies in one form or another called for modernization of the legislation and regulation governing the railroad industry. All hit at government spending. All deplored horse-and-buggy regulation. But none of these studies, nor all of them together, brought about the needed action. The record supports the recent editorial statement by the New York Times that "the railroads have been studied to death."

That is not to say that these studies have been without value. Each plowed the ground of public awareness and planted the seed for change. The cumulative result is that the American people are better informed on national transportation than ever before. They have been alerted to the threat to privately-owned-and-operated transportation, and I believe they will demand and support the changes that have been recommended on behalf of the railroad industry.

Our tax laws should be revised so as to establish more realistic rules

• Daniel P. Loomis,
Association of American RRs



Railroads of the future will be better than those we now have if railroads of today are allowed a fair chance to make the adequate earnings essential to progress.

As steps toward more equal opportunity, each form of transportation should be entitled to have its rates passed upon by the regulatory authorities in relation to its own circumstances and conditions, and not in relation to the rates or traffic of other forms of transportation.

No form of transportation should be arbitrarily barred from the use of whatever means of transport are most appropriate in the performance of economical and efficient service for the public.

Each form of transportation, moreover, should pay to the government adequate charges for the commercial use of facilities furnished and maintained at public expense.

The inequitable excise taxes on freight and passenger charges should be repealed. Our tax laws should be revised so as to establish more realistic rules as to allowances for depreciation to encourage replacement and modernization of railroad facilities.

The exemption from regulation of motor vehicles hauling agricultural products, which has been greatly extended by court interpretation, should be restored to its original purpose—as an aid to farmers. The growing evasion of regulation by motor carriers posing as private haulers while actually operating for hire should be corrected.

Transport regulation is an anachronism, neither just nor understandable

• G. B. Aydelott,
Rio Grande



The continuing downturn of . . . the economy emphasizes the immediate need of the railroads for a return of the traffic . . . diverted through artificial regulatory devices to other forms of transportation. An immediate return to actual competition in the transportation field, removing the protection afforded to others, and removing the restrictions impeding our freedom to compete, is of prime importance.

This vital industry, which requires high investments in

What's Needed to Win Railroad Prosperity Tomorrow?

property and equipment, must of necessity have a volume of business in order to reap any kind of a return at all...

While the railroads suffer this loss of volume . . . airways and highways, subsidized by lavish outpourings of public funds derived from taxes, thrive and expand. This is making regulation of our industry an anachronism, neither justified nor understandable.

The railroads' basic difficulty is legislative in origin

• J. M. Budd,
Great Northern



We are far enough into 1958 to have a fairly clear idea of the year's prospects. It is now apparent that the situation is even worse than had been thought; the entire industry is in danger if Congress does not act quickly. There is no comfort to be found in the fact that certain lines may be relatively better off than others. The nation's railroads are an integrated system, and the failure of any important part of the railroad system may, in the long run, bring down the entire industry. . . . Testimony has made it clear that the railroads' basic difficulty is legislative in origin; hence only legislation can correct it. The present economic recession did not create the current difficulties of the railroads. It has only served to highlight them. If Congress would enact into law the measures proposed in January, I feel confident the railroads of this country will be able to meet their transportation responsibilities.

What the railroads need is not relief—but justice

• R. L. Dearmont,
Missouri Pacific



The imperative need of our railroads is a substantial volume of traffic. Except for long out-moded, unfair governmental restrictions, they would have the needed traffic volume...

What we need is not relief but justice. A justice which has been so long withheld that our peril is great. What we need is a sound transportation policy, NOW! Not a piecemeal handout or a shot in the arm that will keep the patient alive, but treatment that will make him well again.

What we need is not some alien doctrine. We need a fair chance to operate under the good old American free enterprise system.

We need: (1) the right to compete for business on equal terms with all other transport agencies. This includes the right to fix our own rates. . .

(2) Repeal of the wartime excise taxes which were enacted to discourage the public from using railroads for private carriage so that the government could use them to their full capacity. These taxes still discourage use of our service.

(3) The right to engage in all forms of transportation for the convenience of the public and the economy, and success of our enterprise.

(4) Revision of the Agricultural Exemption Act so that it will help the farmer move his products to the market, but will not serve as a means of exempting some trucks serving processors of food or even foreign grown products from regulations which apply to common carriers generally.

(5) A law restricting private carriage to raw materials and products of the owner, thus eliminating for-hire transportation under the guise of private carriage.

We may very well need some form of direct public assistance—such as our competitors enjoy

• T. M. Goodfellow,
Long Island



Although we warmly welcome the broad legislative reforms which, at long last, apparently are in the making on the national level, we do not see them as the full answer to our own peculiar problems. . . . We must have greater relief from taxes and the construction costs of projects ordered by regulatory agencies if we are going to make ends meet and hold fares at a sensible level. And, depending on the quantity and quality of service demanded, we may very well need some form of direct public assistance—such as our auto, bus and subway competitors already enjoy.

No real and lasting improvement . . . without correction of the laws themselves

• J. M. Symes,
Pennsylvania



The railroad of the future depends very much on legislative action now. . . . No real and lasting improvement will come without correction of the laws themselves.

And this legislative action must come now. Already it has been delayed for years—years during which railroads have steadily lost ground both competitively and financially. For more than a decade the railroads' share of competitive traffic has

steadily eroded—not because the railroads don't know how to compete, but because the laws won't let them. This has inevitably diminished the industry's borrowing power, has made the chance of getting needed equity capital progressively more remote, and has depleted working capital to a truly perilous level. At the end of 1945, available working capital was \$1.4 billion—enough to take care of four and one-half months' payroll. By the end of 1957, actual working capital had fallen by 90% to only \$138 million—barely enough to meet industry payrolls for 10 days. Since then it has declined further and could now meet payroll for only one week. This is no isolated financial fact—it is a clear warning of the damage already done by present laws. It means that those laws must be changed—and now.

**Increased awareness
of the railroads' plight
is heartening**

• H. A. De Butts,
Southern



At no time in memory has the railroad situation been more sympathetically studied by our nation's lawmakers. Testimony taken by the Smathers' subcommittee has served to highlight the critically immediate need for a revised public policy regarding railroads. And we can have hope that measures will be taken by Congress to change things.

Although it is heartening to feel that there is increased awareness of the railroads' plight, let's not kid ourselves into believing that there is under way any movement to "save the railroads for the railroads' own sake." If we adopt that view of things the public and the railroads will lose out.

Our only really valid claim on Congress for action comes because we are an indispensable public service industry that must be given reasonable opportunity and sufficient freedom of business action to remain strong for the public good.

**Not railroads alone but
all carriers
should be freed from
legal shackles**

• D. J. Russell,
Southern Pacific



By definition, a fully diversified transportation company could serve the public better than a less diversified one. Such a company would offer movements by rail, by air, by highway, by water or by pipeline, in any combination best tailored to individual needs.

But a company like this is now "illegal." Governmental regulations keep all surface carriers out of the air business; and other regulations pose serious obstacles to the expansion of rail carriers into trucking or water transportation.

We have yet to hear a good reason why any organization devoted primarily to one form of transportation should arbitrarily be excluded from providing other kinds of service. Not railroads alone, but all carriers should be freed from these legal shackles.

The ultimate test is the public interest. Surely, in these days, no one can seriously believe that a railroad or any other carrier could ever establish a monopoly by diversification. It is hard to conceive how the public could be inconvenienced in any way by the advent of companies providing a full line of service.

**Each form of transportation
should be free
to charge on the basis
of its own capabilities**

• H. E. Simpson,
Baltimore & Ohio



(1) Each form of transportation should pay its own way—completely and entirely. This will require that the charges of each form cover its full costs and thus reflect its true economic place in the overall system.

(2) Each form of transportation should be free to make its charges on the basis of its own economic capabilities without reference to the effect on other forms. . .

(3) It should be equally clear that "the play of economic forces" calls also for an early repeal of the discriminatory excise tax on transportation charges. As a hang-over war-time tax applicable only to the charges of common carriers it is seriously weakening them by accelerating the diversion of their traffic to untaxed private carriage.

**A vigorous railroad
industry can lead the
United States recovery**

• A. E. Perlman,
New York Central



The hour was late when the railroads presented their case to the Smathers Committee in January. It is much later now. In the weeks since then, the nation's economy has swung downward more sharply, and the word recession is now officially used. The coal, steel and automotive industries have slumped in this first quarter, with a further depressing effect on our already low carloadings. The seriousness of this plunge in industrial activity for the eastern railroads is indicated by the fact that 20 eastern railroads, in the first two months of this year, had an aggregate net deficit six times as great as these same roads had in 1932.

Thus everything that our industry proposed to Senator Smathers and his group has become even more urgent now. The public
More Rail Leaders' Views on Page 30 ►



EASE OF

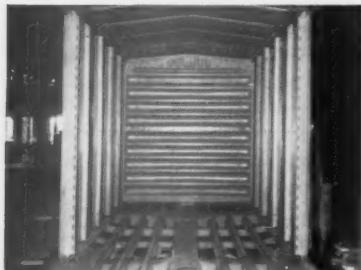
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The PS-1 Needs Less Maintenance

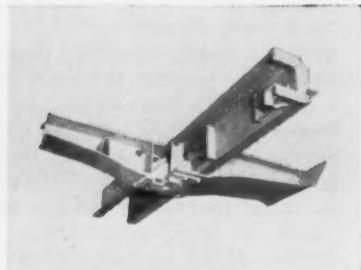
The PS-1 is designed, engineered and produced to take the fullest advantage of each component—not only providing strength to absorb the hard service received in interchange but to resist unusual abuse plus the ravages of weather and corrosion. Potential corrosion pock-
ets are eliminated through all-welded construction and careful attention to design details. Components work together to provide balanced strength without unnecessary weight.



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What's Needed to Win Railroad Prosperity Tomorrow?

is with us, alarmed for the future of America's transportation system, and expecting some strong action soon, to help us to help ourselves. There appears to be a growing belief also that a vigorous railroad industry, unshackled from regulations and given a new and fairer set of rules in its competition with other forms of transport, can lead the United States recovery effort. On the other side of the coin, railroad receiverships could have an extremely depressing effect. Not only the future of our railroad system, but the health of our whole economy depends to a great measure on swift and decisive action on the railroad industry's proposals.

Immediate action is needed if the railroads are to continue

• R. S. Macfarlane,
Northern Pacific

The Northern Pacific is in a more fortunate position than some railroads in that we are not entirely dependent on operating revenues for income. But the industry as a whole faces a crisis which requires immediate action if the railroads are to continue to function effectively as a free enterprise.

It appears to me that it is in the interest of our country for the Congress to act at once to relieve the railroads from excessive regulation and unequal tax burdens, and make it possible for them to compete on an equitable basis with other forms of transportation.

The restrictions of the horse-and-buggy days are just too great a handicap to endure long in this missile-and-jet age.

Legislative action is imperative in the public interest

• H. C. Murphy,
Burlington

The current downturn in rail traffic has accentuated the basic problems that have plagued the railroads for years—over-regulation, over-taxation, and competitors favored with government subsidies and exemption from regulation. Now the industry is in serious financial difficulties and must look to the government, not for subsidies or other special benefits, but for removal of the unwarranted burdens that have crippled the railroads in their attempt to compete for freight and passenger business...

Such legislative action is imperative in the public interest because the present unfair competitive situation ultimately penalizes all users of transportation... There is a real danger that the railroads, essential as they are in peace and war, not only will be unable to pay for further improvements in the future but will find it impossible to maintain present standards of service unless they are accorded equitable treatment under the law.



The railroad industry cannot go down the path to destruction without its patrons

• E. S. Marsh,
Santa Fe



The deteriorating situation comes primarily from applicable laws making it impossible for the railroads to compete on equal terms with others in accordance with American traditions of fair play in business and competition of all kinds.

A grave responsibility rests with Congress to adopt now such measures as will put an end to this attrition before it reaches the point of crippling the economy of the entire country. The railroad industry cannot go down the path of destruction without carrying along its patrons—the public—and the standards of the American economy which have been built around... a marketing and distribution system almost totally dependent upon the reliability and efficiency of transportation.

Two basic opportunities: freedom from uneconomic burdens and freedom to compete equally

• W. J. Tuohy,
Chesapeake & Ohio



Our industry might be likened to a track relay team where there is no final victory for one vigorous runner if his teammates have been weakened by a starvation diet. This starved relay team—the railroad industry—should shock the nation and warn it... As part of that industry, I am concerned for the C&O, despite its strength.

The plight of the railroads has resulted in... weakening to the point of debility what should be one of the strongest elements of our national defense...

The railroad presentations add up to a plea for two basic opportunities: (1) freedom from uneconomic burdens, and (2) freedom to compete equally.

These "freedom pleas" stem from the consistent stress by all of the railroad witnesses for a regulatory climate which recognizes that monopoly is no longer with us.

To begin with, therefore, we are hopeful that the concern of Senator Smathers and his subcommittee will transform itself into action to correct the policies which have critically hampered the railroad industry in the past. We are hopeful that these measures will be enacted in this session of Congress:

ICC jurisdiction over discontinuance of unneeded train service; compensatory mail pay; realistic depreciation for tax purposes; repeal of transportation excise taxes; elimination of pseudo-private carriage and restatement of the agricultural exemptions.

More Rail Leaders' Views on Page 40 ▶

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CANADIAN PACIFIC RAILWAY COMPANY

Seventy-Seventh Annual Report of the Directors to the Shareholders

(abridged)

Highlights

Year's Results	1957	1956	Increase or Decrease	Year-end Position	1957	1956	Increase or Decrease
Railway Revenue	\$ 487,565,479	\$ 505,262,393	\$ 17,696,914	Working Capital	\$ 63,940,973	\$ 114,080,546	\$ 50,139,573
Railway Expenses	449,319,097	463,926,566	14,607,469	Investments	136,334,723	125,432,848	10,901,875
Net Earnings	38,246,382	41,335,827	3,089,445	Properties	2,229,262,112	2,130,773,785	98,488,327
Ratio Railway Expenses to Railway Revenue	92.2%	91.8%	0.4%	Funded Debt	144,133,500	156,085,000	11,931,500
Other Income	\$ 23,441,276	\$ 30,034,463	\$ 6,593,187	Tax Accruals			
Interest and Rental Charges	14,901,935	15,752,302	850,367	Income Taxes	\$ 30,500,000	\$ 34,400,000	\$ 3,900,000
Dividends—Preference Stock	3,029,053	3,079,820	50,767	Property and Other Taxes	11,290,160	10,357,644	932,516
—Ordinary Stock	21,090,379	24,379,013	3,288,634	Traffic			
Balance for Modernization and Other Corporate Purposes	22,666,291	28,159,155	\$ 492,864	Tons of Revenue Freight Carried	58,493,389	65,838,251	7,344,862
				Revenue Passengers Carried	8,037,390	8,906,288	868,898
				Revenue per Ton Mile of Freight	1.50c	1.39c	0.11c
				Revenue per Passenger Mile	2.89c	2.89c	—
				Employees			
				Employees, All Services	89,720	90,499	\$ 779
				Total Payroll	\$ 322,226,843	\$ 322,679,601	\$ 452,758
				Average Annual Wage	\$ 3,591	\$ 3,566	\$ 25

Your Directors have the honour to present herein their report of the results and developments of the past year.

1957 was another year of progress in the development of Canada. However, there was a lessening in the forces of expansion which had been so strongly at work in the economy during the preceding two years, and this was reflected in the results of the operations of your Company.

Railway revenue was the second highest in the history of your Company having been exceeded only by that of 1956. Freight traffic volume as compared with 1956 was down 10%, with over half of the decrease having occurred in grain and grain products moving under low statutory rates. A factor contributing to the decrease in volume was the strike by locomotive firemen in January. Rate increases added 5% to freight revenue.

Through effective budget control and the benefits arising from continued modernization, the ratio of net earnings to railway revenue was held close to that of the previous year. This was achieved despite the smaller volume of traffic and the incidence of employee welfare costs, higher wage rates and increased material prices.

Net railway earnings were down \$3.1 million and the return on your net investment in railway property was only 2.8%.

It was in view of the prospect of inadequate earnings that your Company joined with other railways in Canada on August 30, 1957, in amending their application of May 1956 to the Board of Transport Commissioners so as to request authority for a 10% increase in the general level of freight rates in lieu of the 4% remaining to be disposed of under the original application. In hearings before the Board your Company stressed the necessity for having the permissive level of net rail income increased to allow a return on the additions made since 1947 to net rail investment. In a judgment issued on December 27, 1957, the Board authorized an increase of 3.6% over the prevailing level of rates, effective January 15, 1958, but rejected an increase in the permissive level of net rail income. On petition by the Provinces opposing the application, the increase was suspended by order-in-council until May 1, 1958.

On February 17, application for leave to appeal to the Supreme Court of Canada from the judgment of the Board was filed by your Company in concert with other railways affected, on the ground that by rejecting an increase in the permissive level of earnings of your Company, the Board had failed to perform the duty imposed upon it by the Railway Act to fix, determine and enforce just and reasonable rates and to change and alter rates

as changing conditions require. The application will be argued on March 10.

In furtherance of its programme to provide for the requirements of modern business and of the expanding economy, your Company undertook capital expenditures in the amount of \$135 million. Of these, additions to your railway plant accounted for \$119 million, including \$31 million for the purchase of 154 diesel locomotive units. It is estimated that through the investment made to the end of 1957 in diesel locomotives and facilities, totalling \$176 million, savings of some \$32 million per annum are being realized in transportation expenses and a reduction of \$8 million is being effected in current maintenance expenses.

Other Income was \$6.6 million lower than in the previous year. Decreases were widespread but were particularly marked in dividends declared by The Consolidated Mining and Smelting Company of Canada Limited and in net earnings from your steamships.

Net Income amounted to \$46.8 million, which, after providing for dividends of 4% on Preference Stock and dividends amounting to \$1.50 per share on Ordinary Stock, left a balance of \$22.7 million available for modernization and other corporate purposes.

The Income and Retained Income Accounts of your Company show the following for the year ended December 31, 1957:

Income Account		
Railway Revenue	\$ 487,565,479	
Railway Expenses	449,319,097	
Net Earnings	\$ 38,246,382	
Other Income	23,441,276	
	\$ 61,687,658	
Dividends:	14,901,935	
Preference Stock	\$ 3,029,053	
Ordinary Stock	21,090,379	
	24,119,432	
Balance transferred to Retained Income Account	\$ 22,666,291	
Retained Income Account		
Retained Income (Balance), Dec. 31, 1956	\$ 452,979,867	
Balance of Income Account		
for the year ended December 31, 1957	\$ 22,666,291	
Net Proceeds from Sales of Lands and Townsites	7,561,504	
Gain on Redemption of \$1,300,000 Debenture Stock of Atlantic and North-West Railway Co.	2,853,490	
Excess of considerations received for sales of properties over book values, and miscellaneous items	1,259,493	
	34,340,778	
Retained Income (Balance), December 31, 1957, as per Balance Sheet	\$ 487,320,647	

(Advertisement)

Railway Operations

Net railway earnings, at \$38.2 million, were \$3.1 million, or 8%, below the previous year. The ratio of net earnings to gross revenue was 7.8% as compared with 8.2% in 1956 and an average of 7.1% for the five years preceding 1957.

Railway Revenue, at \$488 million, was \$18 million, or 4%, lower than in 1956, partly as a result of the strike in January. Freight revenue, although including \$20 million from increases in freight rates, accounted for \$15 million of the decrease. An increase of \$814,000 over 1956 was effected in passenger revenue.

Freight traffic volume, measured in ton miles, was 10% down from 1956. The principal decrease occurred in the movement of grain and grain products which, by reason of reduced export demand, declined 16%. Decreases in traffic volume were prevalent throughout all general commodity groups including agricultural products, animals and animal products, mine products, forest products and manufactured and miscellaneous goods. In contrast to the general decline, marked increases occurred in the movement of manufactured iron and steel, building sand, gravel and crushed stone.

Passenger traffic volume showed a moderate improvement over the previous year in terms of passenger miles. While the number of passengers carried decreased from 8.9 million to 8.0 million, the average passenger journey, at 167 miles, was 20 miles longer and the average number of passengers per train was up 12%. Patronage of your transcontinental trains "The Canadian" and "The Dominion" again increased, and the use of rail diesel cars was further extended. Certain passenger services no longer justified by the level of patronage were curtailed.

Express traffic volume was down, principally as a result of curtailment of unprofitable passenger train services and depressed business conditions in some areas. The net earnings of your Express Company, carried to railway earnings as compensation for the carriage of express traffic, were down 12%.

Railway Expenses, at \$449 million, were down 3%. This decrease was effected in the face of increases in wage costs which, including payments for additional statutory holidays and health and welfare benefits, added \$12.6 million to expenses, and increases in material prices which added \$3.4 million.

Road maintenance expenses were up only 1% and equipment maintenance expenses were down 4%. There was a substantial decrease in steam locomotive repair expenses as 72% fewer steam units underwent heavy repairs but this was offset to some extent by an increase in diesel locomotive repair expenses concurrent with a rise of 25% in the average number of diesel units in service during the year.

Transportation expenses were down 6%, and for the third successive year the ratio of transportation expenses to railway revenue was reduced. Substantial economies, particularly in train fuel expense, continued to be realized with the advancement of the diesel programme, and notable improvements were effected in service and operating efficiency. In freight service new records were established in average train speed and train load with a resulting new high in gross ton miles per freight train hour. The proportion of total transportation work performed by diesel power in the year averaged 72% in freight service, 83% in passenger service and 78% in yard service.

Other Income

Other Income, after income taxes, amounted to \$23.4 million, a decrease of \$6.6 million from the previous year.

Net earnings of steamships, at \$2.0 million, were down \$1.8 million. Freight revenue from your ocean steamships was adversely affected by reduced carryings both eastbound and westbound and lower rates on grain and flour. Passenger traffic volume was higher owing chiefly to the entry into service of the "Empress of England". Operation of your coastal steamships resulted in a deficit as the increase in wage and material costs exceeded the increase in revenue.

Net earnings of hotels were \$97,000, down \$706,000 from the previous year. A small improvement in revenue was more than offset by the cost of wage increases, employee benefits and changes in working conditions.

Net earnings from communication services amounted to \$2.2 million, a decrease of \$632,000. The increases in labour costs were greater than the improvement in revenue.

Dividend income, at \$12.6 million, was down \$3.2 million from the previous year. Dividends from your holdings of Capital Stock of The Consolidated Mining and Smelting Company of Canada Limited at the rate of \$1.35 per share amounted to \$11,356,875 as compared with a rate of \$1.65 per share amounting to \$13,880,625 in the previous year. Earnings per share of that Company were \$1.83 in 1956 and \$1.13 in 1957. Dividends received from your railroad subsidiaries in the United States were also lower and there was no dividend from your Air Lines.

Net income from petroleum rents, royalties, reservation fees, and land rents, before provision for income taxes, amounted to \$8.4 million, a decrease of \$831,000. Toward the year end less favourable conditions prevailed for marketing of crude oil. Royalties were received from production of 17.9 million barrels as compared with 18.1 million barrels in 1956. The number of producing wells increased from 765 to 895. In order that your Company may be in a position to take advantage of opportunities as they may occur, a wholly owned subsidiary, Canadian Pacific Oil and Gas Limited, was incorporated on January 3, 1958, with power to engage in the business of prospecting for, acquiring, developing and operating oil and gas and other mineral resources, and to manufacture, transport, refine and sell their products, by-products and derivatives.

Net income from interest, separately operated properties and miscellaneous sources amounted to \$5.2 million, a decrease of \$1.7 million. There was a decrease in interest from temporary cash investments and a decrease in exchange credits, and no interest for 1957 was received from your Air Lines and the Northern Alberta Railways Company.

Fixed Charges

Fixed charges, at \$14.9 million, were \$850,000 lower than in 1956. This decrease resulted from redemption of equipment trust certificates; conversion into Ordinary Stock of some of the outstanding collateral trust bonds; the effect of changes in exchange rates on obligations payable in other than Canadian currencies; and a reduction in rent for leased roads largely owing to the redemption of matured First Mortgage Redeemable Debenture Stock of the Atlantic and North-West Railway Company on which your Company has paid the interest as rental.

Net Income and Dividends

Net income after fixed charges, at \$46.8 million, was down by \$8.8 million. After provision for dividends on Preference Stock, earnings available for dividends on Ordinary Stock and for reinvestment amounted to \$43.8 million. This was equal to \$3.11 per share on 14,066,271 shares of Ordinary Stock outstanding at the end of the year, compared with \$3.76 per share on 13,949,169 shares at the end of 1956.

Dividends were declared on Preference Stock at the same rates as in 1956, comprising 2% paid August 1, 1957, and 2% paid February 1, 1958. Dividends on Ordinary Stock amounted to \$1.50 per share, comprising 75 cents paid August 1, 1957, and 75 cents paid February 28, 1958. In 1956 dividends declared on Ordinary Stock, including an extra dividend of 25 cents, amounted to \$1.75 per share.

Land Transactions

Net proceeds from sales of lands and townsites in 1957 amounted to \$7.6 million, an increase of \$1.1 million. Sales included 34,142 acres of timber lands and 23,734 acres of farm lands, the latter averaging \$10 per acre. Contracts involving 9,310 acres of land sold in prior years were cancelled.

(Advertisement)

Balance Sheet

Certain changes have been made in the presentation of the Balance Sheet accounts with a view to simplification and to conform with accounting trends in reporting of railway companies. No revaluation of either assets or liabilities is involved.

Total assets at the end of the year amounted to \$2,553 million, an increase of \$36 million.

The net addition to Properties during the year after retirements was \$98 million. The total of railway properties is not affected by transfers from leased to owned properties consequent upon vesting of wholly owned leased railway companies. The properties so vested in 1957 had a book cost of \$60,330,537.

Working capital, at \$64 million, was down \$50 million.

Ordinary Stock and Preference Stock of Canadian Pacific Air Lines in the amounts of \$3 million and \$5 million, respectively, and Capital Stock of Canadian Pacific Transport Company in the amount of \$2.4 million were acquired as repayment of advances.

The Tax Equalization Reserve, recording the amount of income tax liability arising since 1954 from taking capital cost allowances for tax payment purposes in excess of depreciation accruals charged income, increased by \$12.5 million.

Finance

Serial equipment obligations amounting to \$8,254,000 were discharged; \$837,500 Convertible Twenty Year 3 1/8% Collateral Trust Bonds, \$2,198,000 Convertible Fifteen Year 3 1/2% Collateral Trust Bonds and \$662,000 Convertible Seventeen Year 4% Collateral Trust Bonds were converted into 117,102 shares of Ordinary Capital Stock.

The foregoing transactions resulted in a net decrease of \$11,951,500 in funded debt, a decrease of \$4,437,000 in the amount of Consolidated Debenture Stock pledged as collateral, and an increase of \$2,927,550 in the amount of Ordinary Capital Stock outstanding.

After the close of the year, Twenty-five Year 5% Collateral Trust Bonds, dated February 1, were issued and sold in principal amount of \$40 million and were secured by a pledge of \$48 million principal amount of Consolidated Debenture Stock. These bonds are redeemable prior to maturity at the option of your Company, or not less than 45 days' prior notice, in whole at any time or in part from time to time, and if in part in principal amounts of not less than \$5 million, at 103.75% of the principal amount if redeemed on or prior to January 31, 1960, and thereafter at decreasing percentages down to 100% of the principal amount if redeemed on or after February 1, 1981, plus in each case accrued interest to the date fixed for redemption; provided, however, that the bonds may not be redeemed prior to February 1, 1973, by the application of funds obtained through borrowings having an interest cost of less than 5% per annum.

Pensions

Expenditures for pensions amounted to \$21.3 million, a rise of 60% since 1952. These expenditures comprised the portion of pension allowances paid by your Company, a contribution of \$6.5 million to the Pension Trust Fund, and levies in respect of employees covered by the United States Railroad Retirement Act.

Wages and Working Conditions

In a report published on February 4, 1958, the Royal Commission appointed to enquire into the matter following the strike in 1957, found that firemen are not required by your Company on diesel locomotives in either freight or yard service. The recommendations in the report provided for the protection and transfer in a gradual manner of the firemen involved. Your Company affirmed its intention to implement the findings of the Commission and to this end reopened negotiations with the firemen's union.

In accordance with agreements reached in 1956, health and welfare contributions by your Company of \$4.25 per employee per

month became effective for organized non-operating employees from January 1, 1957; wage rate increases of 3% to non-operating and 5% to operating employees, the latter including \$4.25 per employee per month in lieu of health and welfare benefits, became effective on June 1; and additional statutory holidays with pay became effective through the year.

On November 12, unions representing the non-operating employees served a joint request for revision of agreements to provide for an increase of 11% plus 17¢ per hour in all rates, additional health and welfare contributions by your Company of \$8.50 per month for each employee, increased annual vacations, one additional paid statutory holiday in addition to the seven already established, an amount of 4¢ per hour per employee to be set aside to provide severance pay, and certain other changes. Negotiations failed to bring about a settlement and the matter was referred to a Conciliation Board. Granting of these demands to all of your 60,000 non-operating employees would add \$59 million to expenses.

Wage increases in line with settlements reached by other railroads in the United States were granted to engineers, firemen and trainmen of your Company who are employed on lines in Maine and Vermont.

Representatives of employees in each of your major hotels, with the exception of the Royal York Hotel, requested a 25% general wage increase, health and welfare benefits and other changes. Agreements were reached effective for two years providing for general wage increases totalling 9% by the end of the first year, health and welfare benefits on the same basis as those to non-operating railway employees and certain other adjustments.

Agreements were reached with employees of your Air Lines granting increases varying from 5% to 10% and other benefits.

Plans were established providing group life insurance and hospital, surgical and medical benefits for non-organized employees and for officers and supervisors.

Steamships

Your second new passenger-cargo liner "Empress of England" entered service in the spring of 1957 and completed a successful first season, during which your ocean fleet carried a greater number of trans-Atlantic passengers than in any other post-war year. In December a contract was signed for the construction of a third new passenger-cargo liner specially designed for both North Atlantic and cruise operations. This liner is scheduled to enter service in the spring of 1961. The "Empress of Scotland", after completion of 27 years of service was sold after the close of the year.

In anticipation of the opening in 1959 of the St. Lawrence Seaway, cargo operations were inaugurated during the year between United Kingdom and Great Lakes ports with two small chartered vessels. Two additional chartered vessels will enter this service in 1958.

The agreement under which your Company had operated coastal steamship service between Vancouver and Ketchikan, Alaska, jointly with the Canadian National was terminated at the end of 1957; this weekly service continues as an operation of your Company with extension to include calls at certain additional way ports. Two coastal barges of your fleet were sold during the year.

Air Lines

Your Air Lines had a net loss of \$113,000 in 1957 after taking up profits totalling \$1,545,000 from the sale of aircraft, buildings and equipment. There was a profit of \$525,000 in 1956.

There was a decrease of 29% in revenue from domestic services owing to the cessation of charter operations to northern radar installations and the termination of scheduled services in Manitoba and Saskatchewan. Revenue from the services remaining showed improvement as a result of continued oil and mineral exploration and development, and construction activity in the North. Coach service using C-46 aircraft was introduced early in the

(Advertisement)

year on routes from Edmonton to Yellowknife, Uranium City and other northern points providing increased passenger accommodation at lower rates and increased cargo capacity. Introduction of DC-6B "Empress" aircraft on the Vancouver-Terrace and Vancouver-Whitehorse routes was well received by the travelling public.

Revenue from international traffic increased by 28% as a result of an extension of the Mexico City-Toronto route to Montreal, Lisbon and Madrid; the addition of Santiago as a traffic stop on the Lima-Buenos Aires route; and an increase in the frequency of certain flights in response to improvement in the volume of traffic offering.

Four new DC-6B aircraft were placed in service during the year; conversion work on four C-46 aircraft from cargo to combined cargo-passenger service was completed; and an office building and maintenance hangar were constructed at Vancouver. Six Bristol Britannia turboprop and four DC-6A aircraft, and two flight simulators were on order at the year end. The cost of these new units will be approximately \$25 million.

An application to operate domestic transcontinental air services in Canada was filed on November 27, 1957, with the Air Transport Board.

United States Subsidiaries

Income from your holdings of General Mortgage Income Bonds and Common Stock of the Minneapolis, St. Paul and Sault Ste. Marie Railroad Company, amounted to \$648,000. Of this amount \$128,000 represented interest and \$520,000 dividends. The net income of that Company in 1957, after provision for fixed and contingent charges, was \$1.6 million, a decrease of \$1.2 million.

Interest income amounting to \$167,000 was received from your holdings of First Mortgage Income Bonds of the Duluth, South Shore and Atlantic Railroad Company. The net income of that Company in 1957 was not sufficient to meet contingent charges in full.

Income from your holdings of First Mortgage Bonds, General Mortgage Income Bonds and Common Stock of the Wisconsin Central Railroad Company amounted to \$590,000. This comprised \$509,000 interest and \$81,000 dividends. The net income of that Company in 1957 was not sufficient to meet contingent charges in full.

Rates

Reference has been made earlier in this Report to an increase of 3.6% in the general level of freight rates to become effective January 15, 1958, which was authorized by the Board of Transport Commissioners following extended hearings, to the suspension of the increase by order-in-council, and to the appeal by your Company against the judgment of the Board.

Increases in freight rates averaging 6% granted to railroads in the United States were made applicable in Canada to international, overhead and certain import, export and related traffic, effective August 26, 1957, by authorization of the Board of Transport Commissioners.

Negotiation of agreed charge contracts by means of which your Company is enabled to bid effectively for competitive traffic, resulted in 108 such contracts being put into effect during the year. The number in effect at the year end was 229.

Effective September 1, first class passenger fares were increased by 10% and coach fares by 5% with exception of commutation, transcontinental and certain special fares. Effective May 1, 1957, commutation fares in the Montreal and Toronto areas were increased by 25% over the levels in effect April 30, 1955. International sleeping car fares were increased by 7% effective January 1, 1957, and duplex roomette and parlour car fares in Canada were increased by 20% effective July 1.

Increases in mail rates of 7% retroactive to July 3, 1956, and an additional 4% effective from January 1, 1957, were granted by the Post Office Department.

Increases in rates on telegraph message traffic in Canada averaging approximately 11.4% were made effective October 16, 1957, by authority of the Board of Transport Commissioners.

Services

154 diesel units were purchased during the year—the largest number in any one year since the start of the diesel programme. These comprised 113 diesel-electric road switchers and 39 diesel-electric and 2 diesel-hydraulic yard switchers. The remaining steam locomotives in service on the Pacific Region were withdrawn during the year. An enlargement of the diesel maintenance shop at Calgary and a third stage of the diesel maintenance shop at Montreal were commenced.

New freight train cars placed in service totalled 4,884, of which 2,884 were box cars. In addition, 300 refrigerator and 365 automobile cars were modernized for traffic requirements.

Twelve new rail diesel cars were added to your passenger train fleet, bringing to 43 the number in service at the year end, and five new "Dayliner" train services were established.

The track replacement programme included the laying of 653 miles of new and relay rail, the installation of 1.8 million ties and the reballasting of 535 miles of track. Automatic block signals were installed on 84 miles of road, bringing to 3,214 the total mileage so equipped. Installation of a centralized traffic control system was commenced on that part of your main line between Montreal and Toronto that is single track.

Passenger terminal modifications were carried out at Calgary involving rearrangement of track and construction of new platforms, a tunnel and a signal tower. A new relay type interlocking system places the control of 59 power operated switches and associated signals under one operator to govern all train movements in the Calgary station area.

Two vertical lift bridges complete with signal interlocking facilities were under construction for the St. Lawrence Seaway Authority at the location where your railway line crosses the seaway canal near Montreal. Related work includes diversion of approximately half a mile of double track main line, and yard and station changes at Adirondack Junction.

In October your Company inaugurated a common carrier piggy-back service between Montreal and Toronto. This service, which combines the advantages of mass movement by rail with the flexibility of truck operations at terminals, has proven very successful. There were increases in the tonnage of traffic carried in the coordinated rail-highway trailer-on-flat-car services operated by your Company in Eastern Canada and with your trucking subsidiary in Western Canada. A contract has been entered into for the acquisition of a 51% interest in Smithsons Holdings Limited, which company wholly owns Smith Transport Limited and a number of related companies in highway transport business.

During the year, 572 new manufacturing, warehousing and distributing businesses were located on or adjacent to the lines of your railway. Of these, 174 required industrial trackage and a total of 37 miles of sidings was constructed to serve them.

The constant endeavor of your Company to eliminate hazards and provide safeguards against injury continues to meet with gratifying results, and a fourth consecutive annual award for public safety activities was received from the National Safety Council in Chicago.

Work was begun on a freight traffic and communications building at Nelson, B.C., and on a building to accommodate communications and other departments at Winnipeg. Construction work con-

(Advertisement)

tinued according to schedule on the 17-storey, 400-room addition to the Royal York Hotel in Toronto.

The teleprinter exchange service, operated jointly with Canadian National and inaugurated as an international service in 1956, was extended in July to include the domestic field. An extension to the television network service, also operated jointly with Canadian National, was completed, linking Quebec City, Jonquiere and Rimouski, and bringing to eleven the number of stations served by this network.

Integrated Data Processing

All essential physical links for the mechanized handling of the paper work of your Company were completed early in the year and the first full scale applications of integrated data processing, using the new high speed electronic computer, were brought into effective operation across the system. Information required for operating, transportation, traffic, statistical and accounting purposes is now being recorded in mechanical form at 64 locations, transmitted over your communications network for processing on the computer in Montreal, and retransmitted, in processed form, for use by all levels of management. Plans were advanced for additional applications designed to contribute to more efficient operation.

Capital Appropriations

In anticipation of your confirmation appropriations amounting to \$34.2 million, in addition to those approved at the last Annual Meeting, were authorized by your Directors during the year. These

included \$25.5 million for ocean steamships, of which \$23.6 million was for your third new passenger-cargo liner; \$2.4 million for additions and replacements to communication facilities; \$1.7 million for seven rail diesel cars and spare components; and \$1.3 million for construction of new trackage.

Your approval will be requested also for capital appropriations for the year 1958 amounting to \$83.8 million.

The appropriations for rolling stock include provision for 117 diesel locomotive units and 2,350 freight cars, including 500 delivered in 1957 and under lease at December 31.

Officers, Employees and Patrons

Your Directors desire to express sincere thanks to employees and officers for the high quality of their services and to shippers and the travelling public for their patience and loyalty during the period of enforced suspension of railway operations in January, 1957, and for their patronage of Canadian Pacific services throughout the year.

For the Directors,

N. R. CRUMP
President.

Montreal, March 10, 1958.

Canadian Pacific Railway Company • General Balance Sheet, December 31, 1957

ASSETS

Current Assets:	
Cash	\$ 25,536,183
Temporary Cash Investments	26,794,613
Special Deposits	4,817,965
Agents' and Conductors' Balances	21,213,617
Other Accounts Receivable	24,236,027
Material and Supplies	46,459,358
	\$ 149,059,763
Deferred Payments and Mortgages on Properties	8,322,867
Unsold Lands and Properties	9,289,875
Insurance Fund	13,188,540
Deferred Debits:	
Prepaid and Unadjusted Charges	\$ 4,120,934
Unamortized Discount on Funded Debt	3,189,822
	7,310,756
Investments:	
Controlled Companies	\$ 100,203,202
Other Companies	36,131,521
	135,334,723
Properties:	
Railway	\$2,004,669,134
Communications	52,813,638
Hotels	66,159,833
Steamships	94,944,283
Other Properties	10,675,224
	2,229,262,112
	\$2,552,768,636

LIABILITIES

Current Liabilities:	
Accounts Payable and Wages Accrued	\$ 49,933,364
Taxes Accrued	9,624,093
Dividends Declared	12,508,390
Other Current Liabilities	13,052,943
	\$ 85,118,790
Deferred Liabilities	3,467,579
Deferred Credits and Reserves:	
Deferred Credits	\$ 5,151,028
Tax Equalization Reserve	32,850,000
Insurance Reserve	13,188,540
Investment and Other Reserves	4,914,092
	56,103,660
Provision for Depreciation	878,196,192
Funded Debt	144,133,500
Debenture Stock	292,548,888
Shareholders' Equity:	
Preference Stock	\$ 137,256,921
Ordinary Stock	351,656,775
Premium on Stock	37,992,349
Donations and Grants	78,973,335
Retained Income (Balance)	487,320,647
	1,093,200,027
	\$2,552,768,636

S. J. W. LIDDY,
Comptroller

AUDITORS' REPORT TO THE SHAREHOLDERS OF CANADIAN PACIFIC RAILWAY COMPANY:

We have examined the above General Balance Sheet of the Canadian Pacific Railway Company as at December 31, 1957, and the related financial statements, and have obtained all the information and explanations we have required. Our examination included such tests of accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances.

In our opinion the General Balance Sheet and related financial statements are properly drawn up so as to present fairly the financial position of the Canadian Pacific Railway Company at December 31, 1957, and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Montreal, March 7, 1958

PRICE WATERHOUSE & CO.,
Chartered Accountants

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Pennsylvania Railroad

now saves time, labor and paint
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New

DIRECT-TO-METAL

Hot Spray

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Combines primer and finish in one application
... Cars can be stenciled the same day



Leading railway lines, such as the Pennsylvania Railroad, are using Pittsburgh's new direct-to-metal Hot Spray CARHIDE to get improved appearance and extra years of protection on freight cars of all types.

• This latest development of famous CARHIDE finishes contains rust-inhibitive pigments that eliminate need for a separate priming operation. With a cross-coat application this new finish provides dry film thickness equal to conventional primer and finish coats. It's so fast-drying, cars can be stenciled the same

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• Direct-to-metal Hot Spray CARHIDE also goes on uniformly, has excellent rust inhibiting qualities, dries to a smooth, extra-durable surface that protects freight rolling stock for many thousands of miles even under most severe operating conditions.

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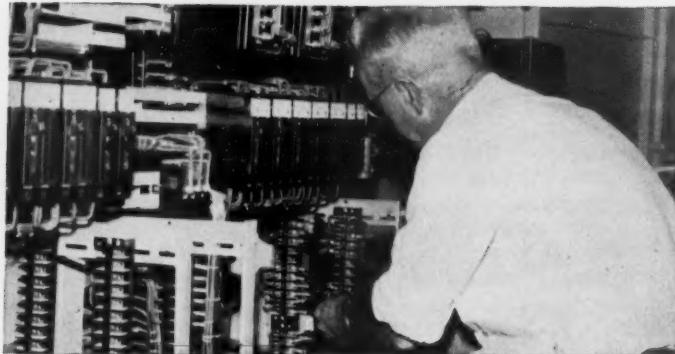
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ANACONDA TYPE ANW-RUBBER-INSULATED CONTROL CABLE. Peak reliability, outstanding heat resistance. Cable is also highly resistant to moisture, acids, alkalies, other chemicals. Unusual overload capacity and long-aging characteristics. Individual conductor covering and over-all jacket of neoprene.



ANACONDA THERMOPLASTIC CONTROL CABLE. Multiple-use: aerially, in conduit, underground in ducts, direct burial in earth. Available with polyethylene (600 or 1000 volts) or Densheath® vinyl resin (600 volts) insulation and Densheath over-all jacket. Densheath jackets over polyethylene-insulated conductors on request.



ANACONDA BUTYL-INSULATED CONTROL CABLE. Ozone-resistant control cable. Individual conductor covering and over-all jacket of neoprene provide maximum insurance against moisture, mechanical injury. High-quality product with outstanding performance record.



ANACONDA TYPE PND CONTROL CABLE. For general-purpose use where space is limited. Allows installation of a 12-conductor cable in conduit carrying a 6 or 7. Individual conductor covering of abrasion-, oil-, gasoline-resistant nylon. Over-all Densheath jacket.

APPLICATION CHART FOR ANACONDA CONTROL CABLE

TYPE AND VOLTAGE RATING	CHARACTERISTICS	GENERAL APPLICATIONS	INSTALLATION METHODS
RUBBER—Insulated Control Cables			
Rubber-Insulated 600-Volts	Excellent moisture, heat resistance. Long-aging.		
Ozone-Resistant Rubber-Insulated 600-Volts	Ozone-resistant. Proved moisture resistance, heat stability. Long-aging.	General-purpose and station control requirements.	Installed aerially, in conduit, underground in ducts—or buried directly in earth.
THERMOPLASTIC—Insulated Control Cables			
Polyethylene-Insulated 600-Volts	Excellent moisture and chemical resistance. Highly resistant to electroosmosis. Long-lived.	General-purpose control requirements.	Installed aerially, in conduit, underground in ducts—or buried directly in earth.
DENSHEATH®-Insulated 600-Volts	Thermoplastic cable. Excellent moisture and chemical resistance. Long-aging.	General-purpose control requirements where space is a limiting factor.	Installed aerially, in conduit or underground in ducts.
Anaconda Type PND® Polyethylene-Insulated-Nylon Conductor Cover 600-Volts**	Dependable chemical and abrasion resistance. Small diameter. Long-aging.	Station control requirements.	Installed aerially, in conduit, underground in ducts—or buried directly in earth.
Polyethylene-Insulated 1000-Volts	Peak moisture and chemical resistance. Heavy insulation thickness. Long-aging.		

**IPCEA voltage rating is 300 volts.

*Trademark.

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Interlocked armor available for all types of control cable.

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What's Needed to Win Railroad Prosperity Tomorrow?

The important question is moving quickly to provide relief

A further weakening of the economic condition of the nation as a whole . . . has worsened the railroads' plight . . . There can no longer be any question of whether they need relief or what form that relief should take.

Railroads are being denied by law freedom of action

Essentially, the economic plight of the railroads has been caused by a mushrooming growth of subsidized competition and a corresponding lack of freedom to meet that competition effectively.



J. W. Smith
Seaboard Air Line



W. R. Rouse,
V.P., Union Pacific

Inherent competitive advantage of railroads is frustrated

In my opinion, the most important single piece of legislation is that needed to permit the railroads to engage freely in competitive pricing . . . Only the railroads are prevented from realizing their competitive advantage.



B. W. Heineman,
Chairman, C&NW

Time is running out. New laws are vitally needed now

A fundamental question must be answered by the American people . . . Does the nation need a strong railroad industry? If not, then nothing . . . is called for. If so, legislation is required.



D. B. Jenks,
Rock Island

Railroading



After Hours with *Jim Lyne*

FAST FREIGHT—I see where the largest of the three regions of the British railways—the London Midland, which hauls one-third of all railway freight traffic—has issued a timetable, listing some 200 overnight "express freight" trains. These trains will be run regardless of tonnage, so shippers and receivers may rely on the overnight service. The region runs a daily total of 7,700 freight trains, and already has 300 of them regularly scheduled—these in addition to the 200 in the new timetable.

My colleague, Gardner Hudson, editor of "Railway Freight Traffic," has shown me a letter from the traffic department of a large manufacturer in the Middle West, which says they'd be glad to get in a lot of lcl by rail—only that the service for 300 miles takes from 3 to 14 days. Second or third morning delivery and absolute reliability would be needed, this shipper says, to put this traffic onto the rails.

HIGHWAY MANIA—I have been reading all the papers put in at the Hartford conference on "The New Highways; Challenge to the Metropolitan Region." This session was sponsored by the Connecticut General Life Insurance Company. There was the customary fulsome praise of the federal program by self-interested speakers. But some of the disinterested speakers really cut loose with some challenging questions.

For example, Architect Victor Gruen voiced the suspicion that the purpose of the federal road program is not to benefit the people, but to promote heavier highway traffic. Lewis Mumford, social philosopher, believed a result, if not the purpose, of the highway program might be to put the railroads out of business.

City Planner L. Segoe suggested that the new federal network

aims to serve existing overcongested population centers—rather than to induce better distribution of population. The problem (as the discerning ones see it) isn't a highway problem—but an overall transportation problem, which could often be better solved by improving commuter facilities, rather than by more roads.

TRANS-AMERICA TRAIN—Howard Blanchard, UP's Washington representative, tells me that no less a personnage than Herbert Hoover suggested several years ago that a weekly transcontinental passenger train might be worth trying. This is just one of the many runs where something brand-new in train service (hand-tailored to earn a profit) might stand a good chance of arousing the public's imagination. And this is what the railroads need to do—to overcome the recession blues.

A terminal general manager, who doesn't want to be identified, thinks many railroads could improve their public impact if they'd modernize their letterheads, and use "clean, crisp, white envelopes," instead of manila ones.

"THE TRAP"—On the question of working rules, which we discussed in our March 24 issue, I am well aware from personal experience that some of these rules were put in to correct obvious injustices. Take the "terminal delay" rule for example. I remember a road where there was no such rule and yard forces were mighty careless about the time for which road crews were called—maybe causing them to sit around for two or three hours unpaid, waiting for their trains. Any reasonable approach to the working rules problem must take into account that some of these rules (or a less onerous equivalent) are sound.

TELEGRAM

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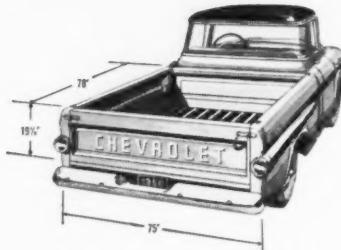


NEW FLEETSIDE BY CHEVROLET

Here's the new sweetheart of the Task-Force fleet, Chevrolet's new Fleetside pickup! No truck has ever been better to look at... or better for your business.

Long, sweeping lines, graceful body contours... new truck appearance that's fleet, dashing and completely modern! Yet there's even more to the new Chevrolet Fleetside than the striking beauty that first meets your eye. There's size, for instance: extra room inside to pack many additional cubic feet of payload. And with double-walled lower side panels, durable hardwood floor, and solidly constructed full-width tailgate, the new Fleetside is the toughest of pickup bodies, too! A new adjustable latch keeps graintight tailgate free from rattles.

Here's a new high in hard-working utility, matched by new styling that makes you stand out on any street. See the new Fleetside at your Chevrolet dealer's now! . . . Chevrolet Division of General Motors, Detroit 2, Michigan.



More load space than any other comparable low-priced pickup. In lengths of either 78 inches or 98* inches and a full six feet in width, this new body actually provides 50% more cubic capacity than the conventional pickup box!

*Optional at extra cost.

Plenty of work-whipping hustle and muscle. Your choice of two great engines—standard 145-h.p. Thriftmaster 6 or optional at extra cost 160-h.p. Trademaster V8. And truck-engineered chassis components will take all the abuse your most bruising hauls can give them!



CHEVROLET TASK-FORCE TRUCKS

MARKET OUTLOOK *at a glance*

Carloadings Drop 3% Below Previous Week's

Loadings of revenue freight in the week ended April 5 totaled 516,225 cars, the Association of American Railroads announced on April 10. This was a decrease of 15,947 cars, or 3.0%, compared with the previous week; a decrease of 127,867 cars, or 19.9%, compared with the corresponding week last year; and a decrease of 169,153 cars, or 24.7%, compared with the equivalent 1956 week.

Loadings of revenue freight for the week ended March 29 totaled 532,172 cars; the summary, compiled by the Car Service Division, AAR, follows:

REVENUE FREIGHT CAR LOADINGS For the week ended Saturday, March 29			
District	1958	1957	1956
Eastern	85,040	120,853	124,581
Allegheny	92,985	142,812	147,621
Pocahontas	43,030	65,411	61,097
Southern	103,426	127,548	138,192
Northwestern	58,964	76,162	74,982
Central Western	101,780	111,319	120,365
Southwestern	46,947	50,817	58,130
 Total Western Districts	 207,691	 238,298	 253,477
 Total All Roads	 532,172	 694,922	 724,968
 Commodities:			
Grain and grain products	51,474	51,927	50,206
Livestock	5,287	5,631	6,876
Coal	97,980	142,384	139,869
Coke	5,648	12,952	13,024
Forest Products	32,040	40,705	47,065
Ore	15,933	22,837	23,516
Merchandise l.c.l.	49,146	57,933	62,241
Miscellaneous	275,664	360,553	382,171
 March 29	 532,172	 694,922	 724,968
March 22	533,019	685,836	657,248
March 15	539,057	689,226	685,983
March 8	544,173	672,363	697,601
March 1	553,645	703,983	710,976
 Cumulative total, 13 weeks	 6,974,620	 8,627,130	 8,980,203

IN CANADA.—Carloadings for the ten-day period ended March 31 were not available when this issue of *Railway Age* went to press.

New Equipment

FREIGHT-TRAIN CARS

► *Florida East Coast.*—Ordered five 50-ton bulkhead flat cars from Thrall Car Manufacturing Company at approximate cost of \$32,500. Delivery is expected July 1.

► *Mozambique Wants 120 Cars.*—Requests have been invited by the Office of the General Storekeeper for Mozambique Harbors, Railways and Transport Services for the supply of 120 40-metric-ton open dropside railway cars. Bids are due July 4. Copy of the contract conditions, in Portuguese, may be borrowed from the Bureau of Foreign Commerce, Washington 25, D. C.

► *Norfolk & Western.*—Ordered 25 50-ton box cars, Pullman-Standard, for delivery this month.

► *Northern Pacific.*—Ordered 25 40-ft mechanical refrigerator cars from Pacific Car & Foundry for delivery in August. Total cost will approximate \$500,000.

► *Thrall Car.*—Will build 15 70-ton covered hopper cars for Arthur Equipment Company. Delivery is scheduled for July and August.

LOCOMOTIVES

► *Union Pacific.*—First of 15 8,500-hp gas turbine-electric units ordered last year from General Electric is expected to be delivered late in May (*Railway Age*, Feb. 25, 1957, p. 13).

SPECIAL

► *New England Transportation Co.*—This New Haven subsidiary has ordered 50 new 35-ft tandem trailers from the Highway Trailer Company. Delivery is scheduled for this month. The trailers will be used in piggyback operations throughout New England, New York and New Jersey.

► *Overseas Purchases to Total \$115.6 Million.*—Contracts and orders totaling about \$115,600,000 will be placed during this year's first half with U.S. railroad-equipment manufacturers by overseas purchasers under Export-Import Bank loans. This prediction, by Samuel C. Waugh, president of the bank, is based on orders being placed from existing bank loans plus those from loan applications due for approval soon.

► *\$15 Million Loan for Peru's Railways.*—The World Bank has made a loan equivalent to \$15,000,000 for modernizing Peru's most important railway systems. The 830 route miles of the two railways—the Central and the Southern—constitute about two-thirds of Peru's rail network. Equipment to be financed by the loan includes 40 diesel-electric locomotives, 36 passenger cars and 275 freight cars. Orders will be placed on the basis of international competitive bidding. The program is scheduled for completion in 1960.

New Facilities

► *Milwaukee.*—Plans to build a new freight house at its Galewood Yards, Chicago. Estimated cost of the project is \$1,400,000.

'PAT' Prototype Begins Tests

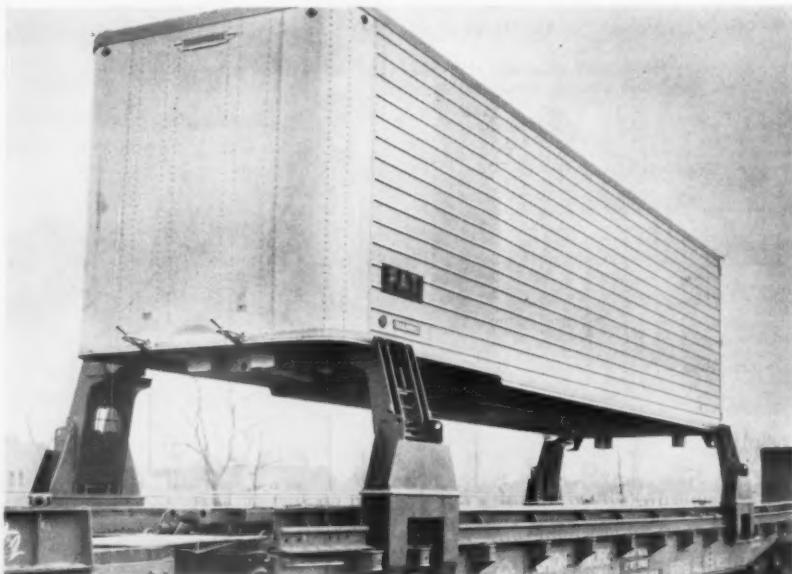
Prototype of the "PAT" piggyback container system developed by Pullman-Standard and Trailmobile is undergoing tests on the Union Pacific. "PAT" is designed to combine into a simple, versatile rig as many features as possible of both trailer piggyback and container shipping (Railway Age, Dec. 16, 1957, p. 14). Several railroads have indicated interest in the scheme.

2 Container, with frame removed, looks like this. Rear supports are used to help support box in transit. Front supports hold box temporarily so that frame can be removed and stanchion raised. With supports retracted, car will take any trailer piggyback fashion.

3 Stanchion, raised with power wrench, lifts front of box off temporary supports. Car then is ready to roll. One advantage of "PAT": containers and piggyback trailers can be loaded indiscriminately on string of identical cars.



1 "PAT" rig, consisting of 35-ft trailer box and removable underframe, is driven onto standard 52-ft flat car to which support posts and stanchion have been added. In photo, box is locked to support piers so that tractor can remove frame.





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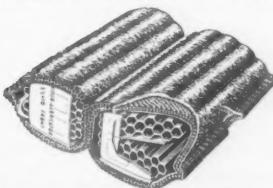
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Smathers Group Working on Report

The Senate's Surface Transportation Subcommittee is now engaged in that "great deal of study and review" which is "necessary before comprehensive recommendations for constructive proposals can be made."

That's how the chairman, Senator Smathers of Florida, outlined the next task as he closed the subcommittee's public hearings on the "deteriorating railroad situation." Concluding sessions of the hearings brought presentations from leaders of railroad labor organizations, including G. E. Leighty, chairman of the Railway Labor Executives' Association who chided railroad management for curtailing passenger operations and other services regarded as unprofitable.

Mr. Leighty's parting shot was a warning of government ownership. He said: "We cannot avoid concluding that if the course of railroad management is irretrievably set in its present direction, serious consideration must be given to government ownership and operation in order to take care of national defense, and so that the public will have the backbone of transportation service that it needs. We hope that won't be necessary, but the railroads are heading in that direction."

Chairman Smathers' statement noted that 102 witnesses were heard in the hearings over a period of nearly three months—from January 13 until April 3. To restore the health of the railroads, the senator said, "will require more than outside administrations or legislative action. The patient must also demonstrate a strong will to health and an aggressive spirit to compete in the struggle for existence."

The senator went on to classify railroad problems generally as "immediate" and "long range," and to say that solutions "will not be found in a single program, nor in a single approach." Then came his reference to the study required, followed by an expression of his hope that the subcommittee "will be able to arrive at some general conclusions upon which we can agree."

As noted in Railway Age of April 7, page 7, the general plan of railroad labor's presentations was to minimize the financial plight of the railroads and to oppose major features of the industry's program, including the call for removal of restrictions on railroad operations of other forms of transport, and the proposal to give the ICC power to override state commissions to permit abandonments of unprofitable intrastate services.

Labor favored the rate-freedom phase of the program, the proposed construction reserve, repeal of the transport excise taxes, and a tightening of the Interstate Commerce Act's agricultural exemptions. Its spokesmen also spent considerable time denying charges of featherbedding on the railroads.

The spokesmen, in addition to Mr. Leighty, were H. E. Gilbert, president, Brotherhood of Locomotive Firemen & Enginemen, Michael Fox, president of the Railway Employees Department, American Federation of Labor, T. C. Carroll, president, Brotherhood of Maintenance of Way Employees.

Propositions which Mr. Leighty undertook to support in his 40-page statement included the following:

- The railroad financial position is not unfavorable in the light of past experience and the current general economic situation.

- Fundamentally, the capital structure of the railroad industry and its physical condition are as good as at any time in history.

- In spite of increases in prices and wages during the post-war period, unit costs of operation have not risen excessively.

- Rates and fares, and revenues per traffic unit and per gross ton-mile have kept pace with rising costs.

- In spite of the substantial decline in general business in 1957, railway net earnings have continued at a relatively high level.

- The future outlook of the railways is excellent.

- The railroad passenger service presents special problems, but they are not as difficult to overcome as the carrier representatives have suggested.

Mr. Leighty also discussed the unemployment problem of railroaders, relating it to the support RLEA was willing to give

one of the management proposals, i.e., the construction reserve. "We feel," he said, "that any legislation authorizing establishment of these construction reserves should be absolutely contingent on the allocation of at least 70% of such funds for work which will be done on the railroad properties themselves by railroad employees. We will support legislation which contains such a provision."

The RLEA chairman then came up with this peroration on railroad management: "They are living in a dream world. They know of the days when from the gaudy interiors of their private cars, the railroad presidents exercised tremendous power. They had only to snap their fingers and cause mayors of cities, governors of states, and even United States senators to jump to their command. They remember hearing about the distant time in the past when the railways were a monopoly . . . when the public was dependent on the railroads . . .

"Frankly, we don't believe the railways want to compete. They know there are certain areas where they possess such an overpowering advantage that they don't have to fret about losing anything. . . . The railways don't want to be bothered about anything else. It's too much trouble to carry passengers, or I.C.I. freight, or any other kind of freight that they can't handle easily and inexpensively without fear of truck or barge competition. And it's too much trouble to bother with branch line service. In short, what the carriers want to do is restore their complete monopoly position."

'Second Life' Due for Switchers

Extended service life for some 15,000 industrial switchers is the goal of 11 new General Electric locomotive repair centers. Industrial locomotives of up to 120 tons and 1,000 hp can now be overhauled—like the family automobile—at "neighborhood" service stations.

Howard F. McCullough, manager of G.E.'s Service Shop Department, announced the opening of the service April 10.

Facilities for completely overhauling and rebuilding industrial locomotives have been set up at New York, Pittsburgh, Cleveland, Dallas, San Francisco, Atlanta, Salt Lake City, Boston, Chicago, Minneapolis and Portland, Ore. In 37 additional cities, other G. E. service shops are equipped for some phase of locomotive repair or inspection, although, in the smaller shops, this may be limited to emergency field work.

The major repair centers can complete a locomotive overhaul in four to six weeks. Doubling the useful life of the locomotive, the overhaul costs only 20 to 40 per cent

as much as a new locomotive of the same size and horsepower rating.

Owners of the country's 15,000 industrial locomotives should benefit from the new facilities in several ways: Transportation expense in getting the unit to the manufacturer can be cut. Time out of service can be greatly reduced.

Not least important, the new facilities are designed to apply "production maintenance" techniques to industrial motive power.

"If a plant owner needs but one locomotive," Mr. McCullough said in announcing the new facilities, "the chances are that he will own but one. It is most important, therefore, that it be maintained in workable and efficient operation. Sudden failure could present the manufacturer with real disaster."

With facilities close at hand, industrial motive power can be serviced on a regular schedule, timed to get the most efficiency from the machines.

Executives Plan 'Stump Campaign' on Legislation

Railroad presidents will "take the stump" on behalf of legislation expected to develop as a result of recently completed hearings before the Smathers subcommittee in the Senate.

President W. Arthur Grotz of the Western Maryland revealed plans for this move by rail executives during a three-day seminar-workshop at the University of Michigan. The meeting was co-sponsored by the university, the Railway Progress Institute and the Michigan Railroads Association. It brought together railroad and supply company officers for a discussion of the railroad regulation and legislative outlook.

Erie President Harry W. Von Willer said rail executives are united on the present 8-point program submitted to the Smathers group in January (Railway Age, Jan. 20, p. 9). He said stirring up public support for the program "is so important to the industry it will not be delegated. We are going to try to do this job ourselves."

The three-day workshop was keynoted by R. A. Williams, chairman of RPI and president of the Standard Railway Equipment Manufacturing Company. Mr. Williams outlined the history of restrictive legislation on railroads which, he said, has led to a "hodge-podge of laws . . . and a hodge-podge of regulatory concepts." He urged railroad and supply officers to inform themselves about the proposed legislation and develop enthusiasm in helping translate the program into legislation.

Railway Express Organizes Consolidating Subsidiary

Railway Express Agency is trying to win back small-package traffic moving from New York to department stores in Philadelphia and Washington.

A new REA freight-consolidating subsidiary, Rexco, Inc., is now offering truck-competitive quantity rates on shipments of miscellaneous merchandise to Philadelphia and Washington.

This means a shipper can send up to 2,000 lb of department store parcels from New York to Washington for \$2.75 per 100 lb—the same as the truck rate. REA previously had no single rate for such shipments. Merchandise in this category was shipped at rates of \$3.04 and upwards per 100 lb.

Originally, REA filed a tariff lower than prevailing truck rates. It was suspended by the ICC after truckers and other freight consolidators protested.

Traffic May be Lighter At St. Louis Union Depot

About a dozen fewer passenger trains will use St. Louis Union Station if present plans of four railroads materialize.

New York Central has filed petitions to discontinue four inbound and four out-

bound trains. Burlington will pull its Nos. 47 and 48 out of the station April 27 and use loading facilities northeast of Union. Cotton Belt plans to abandon the station for its St. Louis-Pine Bluff, Ark., run and halt the trains on the east side of the Mississippi River. Passengers would be carried by bus to and from St. Louis. Frisco has requested authority to drop its St. Louis-Memphis overnight runs.

The NYC action is part of an attempt at large-scale revisions in western passenger

service (Railway Age, Dec. 23, 1957, p. 38). Lack of passenger patronage also figures in CB&Q, SLSW and SLSF plans. Most of the Burlington's business on 47 and 48 is head-end traffic and the road sees no great advantage in running the trains into the depot. Cotton Belt is losing about \$200,000 a year on its St. Louis passenger operations and estimates savings from the depot switch at about half that sum. Frisco figures its St. Louis-Memphis loss exceeds \$93,000 a year.

N&W Reaps Dieselization Fruits

Dieselization has made it \$1,000 cheaper for the Norfolk & Western to operate one of its average freight trains from Roanoke, Va., to Hagerstown, Md., and return. That's a distance of 476 miles.

The drop below costs of former steam-locomotive operations on this Shenandoah Division is about 30%. The saving per 1,000 gross ton-miles averages about 50 cents.

This was reported by the vice-president and general manager, H. C. Wyatt, at the road's 33rd annual Better Service Conference. The conference, at the Hotel Roanoke, Roanoke, Va., March 28 and 29, was attended by about 500 employees and guests. The employees were delegates representing N&W better service clubs.

The delegates also heard R. H. Smith's last presidential report to them. He retired from the N&W presidency on March 31 and was succeeded by Stuart T. Saunders, who had been executive vice-president.

Mr. Saunders was also a speaker at the conference, as were F. S. Baird, vice-president in charge of traffic, and C. E. Pond, general superintendent of motive power. L. C. Yates, general claim agent, was general chairman of the conference, and J. F. Jamison, assistant general claim agent presided at the March 29 session.

Mr. Smith's report noted that the N&W had an "excellent" year in 1957 when its volume of freight business and its earnings reached new all-time highs. But a "slowing down in business volume" came in the year's last two months and got worse this year.

"I like to look at things optimistically, but I just can't truthfully say that at the immediate present I see any signs of a substantial upturn in the business trend," Mr. Smith added. He then went on to express his confidence that business generally and the N&W will work out of the situation as they have many times in the past.



'Contoured' Gondola for Containerized Plastics

High contoured ends and slightly raised sides distinguish these modified gondola cars. Eighty of them, owned by the O-T-D Corporation of Chicago, are being leased to the Bakelite Company, division of Union Carbide Corporation, for transportation of Bakelite resins in "Sealdbin" containers manufactured by the United States Rubber Company. Each car holds seven of the collapsible rubber containers with a total capacity of 2,100 cubic feet and 70,000 lb. Raised and rounded car ends help to hold the

"Sealdbins" in position during switching or coupling impacts. Wooden rubrails above and slightly inside the regular car sides help to prevent lateral movement. Loading may be accomplished either by crane or lift truck. The cars were purchased from the Central of New Jersey and converted to their new use in the railroad's Elizabethport shops with materials furnished for the conversion by the International Steel Company, Railway division, Evansville, Ind.

People in the News

AKRON, CANTON & YOUNGSTOWN.—Dr. Paul M. Zeis, vice-president, research, Akron, Ohio, elected vice-president, accounting & finance, and treasurer. Dr. Zeis succeeds James R. Wilkerson, who retired April 1.

BALTIMORE & OHIO.—Warren J. Smith, assistant general freight agent, Chicago, appointed assistant freight traffic manager there, succeeding the late J. H. Kuntz. Lamar Land, southwestern freight agent, Dallas, Tex., retired March 1.

Lloyd W. Baker, executive assistant, Baltimore, elected vice-president staff.

G. H. McLaughlin, assistant general freight agent, Pittsburgh, appointed assistant freight traffic manager there succeeding W. F. Bollman, retired. Frank J. Yeager, assistant to general freight agent, succeeds Mr. McLaughlin. Elmer F. Estel, chief clerk, general freight department, succeeds Mr. Yeager.

CHICAGO & EASTERN ILLINOIS.—George E. Bennett promoted to purchasing agent in addition to his present duties as superintendent of motive power, with headquarters remaining at Danville, Ill.

COTTON BELT.—Charles W. Baker, general agent, Pine Bluff, Ark., promoted to district freight agent. R. H. Hubbard, general agent, Texarkana,



Lloyd W. Baker
B&O



George E. Bennett
C&EI

Ark-Tex., transferred to Shreveport, La., to succeed E. O. McRae, retired. R. H. Williams, commercial agent, Texarkana, named to replace Mr. Hubbard.

DELAWARE & HUDSON.—R. J. Brogan, general agent, Detroit, Mich., transferred to Albany, N. Y.

INTERSTATE COMMERCE COMMISSION.—E. R. Jelmo resigned, effective March 21, from the directorship of the Bureau of Transport Economics and Statistics. He had served in the position three years, and formerly was transportation specialist on the staff of the Senate Committee on Interstate and Foreign Commerce.

KANSAS, OKLAHOMA & GULF—MIDLAND VALLEY—OKLAHOMA CITY-ADA-ATOKA.—L. C. Landers, commercial agent, Minneapolis, promoted to general agent, Philadelphia. J. L. Goff, commercial agent, Houston, advanced to general agent, Oklahoma City, Okla., to succeed C. R. Johnson, transferred to Chicago.

NEW YORK CENTRAL.—John C. Kenefick, general manager, New York district, who has been on special assignment for the past few months, appointed to the new system position of general manager, transportation. This key position was created to coordinate the employment and utilization of the many new tools introduced in the road's vast rebuilding program to provide the most efficient transportation services to the NYC's shippers. Mr. Kenefick will be assigned the development of maximum utilization of the Central's freight yards, including the new electronic Robert R. Young Yard at Elkhart, Ind., and Frontier Yard at Buffalo. Gregory W. Maxwell, general manager, Southern district, Indianapolis, transferred to the Eastern district, Syracuse, N.Y., succeeding Edward J. Gibbons, who retired April 1. William B. Salter, manager of transportation, New York, named general manager, Southern district, Indianapolis. Charles B. Fleming, acting general manager, New York district, appointed general manager of that district.

Robert W. Mustard, master mechanic, Collinwood, Ohio, appointed mechanical superintendent, New York.

Gordon L. Zeider, assistant superintendent diesel locomotive shop, Collinwood, Ohio, promoted to superintendent of that shop, succeeding I. W. Martin, who retired March 31.

J. A. Angert, assistant general storekeeper, Eastern district, East Rochester, N.Y., promoted to general storekeeper there, succeeding E. F. Delisle, retired.

George M. Casady appointed director of coordinated merchandise operation, New York.

James J. McTernan, Jr., assistant comptroller of the NYC, appointed to the newly created post of director, budgets and cost controls.

ROCK ISLAND.—B. F. Wells appointed superintendent, Des Moines division, Des Moines, Ia.; R. W. Anderson, superintendent, Arkansas divi-

sion, Little Rock, Ark.; J. F. Orlomoski, superintendent, Southern division, El Reno, Okla.; J. H. Gillilan, terminal superintendent, Kansas City terminal, Kansas City, Mo.; W. H. Hogle, assistant superintendent, Minneapolis; W. F. Thompson, assistant superintendent, Southern division, El Reno; A. E. Anderson, trainmaster, Silvis, Ill.

H. G. Dennis, assistant general manager, El Reno, appointed assistant engineer of maintenance, Chicago.

G. J. Kerkrast appointed assistant general passenger agent, Kansas City; K. E. Bradley, general agent, Washington, D.C.; W. H. Weik, assistant general passenger agent, Chicago; C. W. Jernigan, general freight and passenger agent, Houston; H. J. Koukal, assistant general passenger agent, Chicago; Paul Lemon, general agent, passenger department, Des Moines; K. W. Young, assistant general passenger agent, Minneapolis; J. R. Wally, district passenger representative, Kansas City.

Supply Trade



C. F. Hammer



Fred S. Downs

C. F. Hammer has been appointed vice-president—engineering of the Air Brake Division of the **Westinghouse Air Brake Company**. Mr. Hammer's entire business career has been devoted to air brake engineering. He joined the company as an engineering trainee.

Fred S. Downs, railroad sales representative for **Air Reduction Sales Company**, New York, has been appointed zone manager, railroad sales, Eastern region, succeeding C. B. Armstrong, retired.

William H. Litterer, sales engineer, Philadelphia branch, **Exide Industrial division, Electric Storage Battery Company**, has been named a motive power market supervisor at Philadelphia. He will oversee sales, pricing and product development on Exide batteries for electric industrial trucks, mine locomotives and related motive power applications.

James G. Eliasuk of Richmond, Va., has been appointed representative to railroads of the southeastern United States for the railroad division of **Maclean-Fogg Lock Nut Company**.

Wilson H. Moriarty, in addition to his staff duties as first vice-president of **National Malleable & Steel Castings Co.**, has been appointed chief executive officer of the newly formed **Railway and Mine division**. Other officers of the new division will be: Mellar W. Stevenson, vice-president—sales; Kenneth Selby, vice-president—engineering; and John F. Huston, assistant vice-president—sales, Chicago. Mr. Stevenson was formerly manager of railway sales, Mr. Selby was chief engineer—railway division, and Mr. Huston was manager of the Railway Sales division's Chicago branch.

OBITUARY

Donald G. Ihrig, associated with **C & D Batteries, Inc.**, as an independent operator, died March 28.

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ADVERTISERS

Alton and Southern Railroad	49
Anaconda Wire & Cable Company	39
Bethlehem Steel Company	3
Bruning Company, Inc., Charles	31
Buffalo Brake Beam Company	Inside Front Cover
Butler Manufacturing Company	45
Canadian Pacific Railway Company	33-37
Caterpillar Tractor Company	12
Chevrolet Div. of General Motors Corporation	42
Esso Standard Oil Company	21
Foster Co., L. B.	49
General American Transportation Corporation	14
General Railway Signal Company	Back Cover
General Steel Castings	11
Hertz Rent-A-Car System	6
Hunt Co., Robert W.	49
Iron & Steel Products, Inc.	49
Journal Box Servicing	19
Lewis Bolt & Nut Company	49
Miller Lubricator Company	45
Minnesota Mining & Manufacturing Company	15
Motorola Communications & Electronics, Inc.	32
Norfolk & Western Railway	18
Philco Corporation (Government & Industrial Division)	22
Pittsburgh Plate Glass Company	38
Pullman-Standard Car Manufacturing Company	28-29
Rail & Industrial Co., Inc.	48
Railway Educational Bureau, The	49
Sperry Rail Service Division of Sperry Products Inc.	8
Union Switch & Signal Division of Westinghouse Air Brake Company	4
United States Steel Corporation	41
Vapor Heating Corporation	23
Wine Railway Appliance Company	Inside Back Cover

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Where Defense Is Weakest

The authorities charged with America's military defense are neglecting the basic area of transportation. They are seemingly little interested in the tiresome and undramatic housekeeping which is needed to make sure, when the shooting starts, that factories will keep producing, and that supplies, munitions and men will be delivered where they can do their defense job.

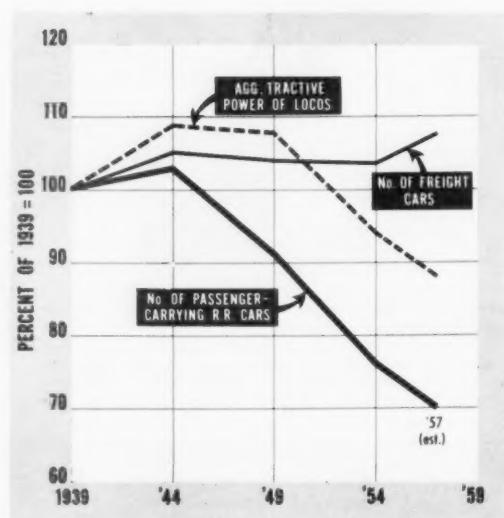
There is far more reason for concern in the simple lines on the accompanying chart than in any of the spectacular firings into outer space by the Russians or our own military scientists.

The military authorities don't worry much about transportation because they have fallen into the habit of expecting miracles from the railroads. They apparently believe that the railroads will repeat the transportation miracle of 1941-45, if the necessity should again arise. The chart shows that the railroads cannot do it. Their freight car supply today is only fractionally larger than it was in 1939, when hostilities broke out in Europe. The aggregate tractive power of locomotives today is 12 per cent less than it was in 1939. The supply of passenger-carrying cars has declined 30 per cent. Meantime, the nation has 40 million more population than it had in 1939.

Probably there are those who believe that, in another war, the nation would not need the railroads as it did during War II—that expanded highway transportation would do most of the job. But highway transportation is too wasteful of fuel and manpower to be relied upon in wartime. Try to handle a large increase in traffic volume by highway, and you run out of recruits for the armed forces.

General Ed Lasher, retired head of the defense department's traffic organization, a year ago warned that—in the event of a new war, the demands on the railroads would be much greater, not less, than in World War II. If that is the outlook—then what kind of preparedness is it for there now to be 12 per cent less motive power, 30 per cent fewer passenger-carrying cars and only a few more freight cars than the supply available in 1939?

The railroads used to maintain a lot of standby transportation capacity. They had a lot of it during the 1930's, and that is why they were able to take on the extra transportation load of World War II. But in the past few years they've run out

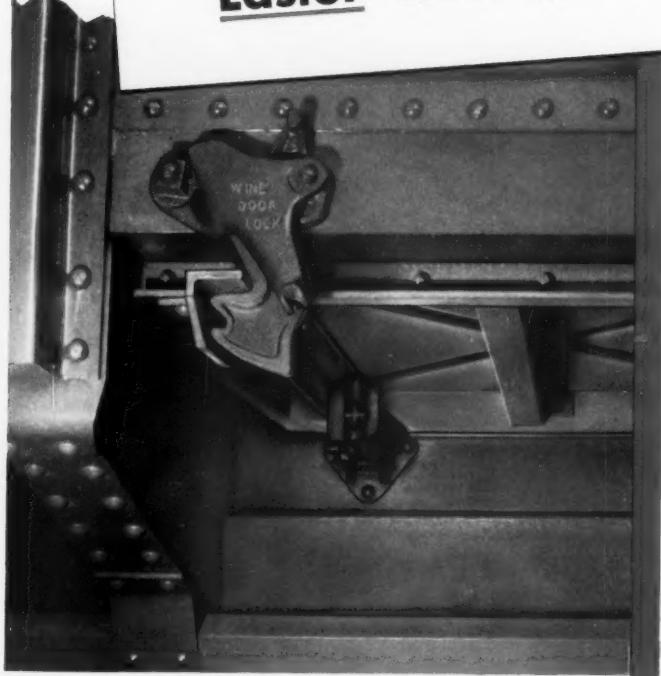


of money with which to provide equipment and other facilities to accommodate such another explosive increase in traffic volume.

Proposals now before Congress, if enacted, would greatly strengthen the railroads—over a period of time. The necessity for this action is basic, for reasons of defense as well as national economic well-being. But, stockpiling railroad equipment—needed and to be used only in the event of a military emergency—is an immediate problem and properly a government responsibility anyhow.

OPPORTUNITY IS KNOCKING: With steel plants working at less than half capacity, and railroad suppliers' production backlog running low—Providence has given America's defense authorities a golden opportunity quickly to acquire the stockpiles of transportation equipment that would make us invulnerable, from a transportation standpoint, in the event of war. Once the shooting starts, it will be too late to prepare. And such acquisitions now would serve the dual purpose of arresting the economic recession where it has gone deepest—i.e., in steel and its products.

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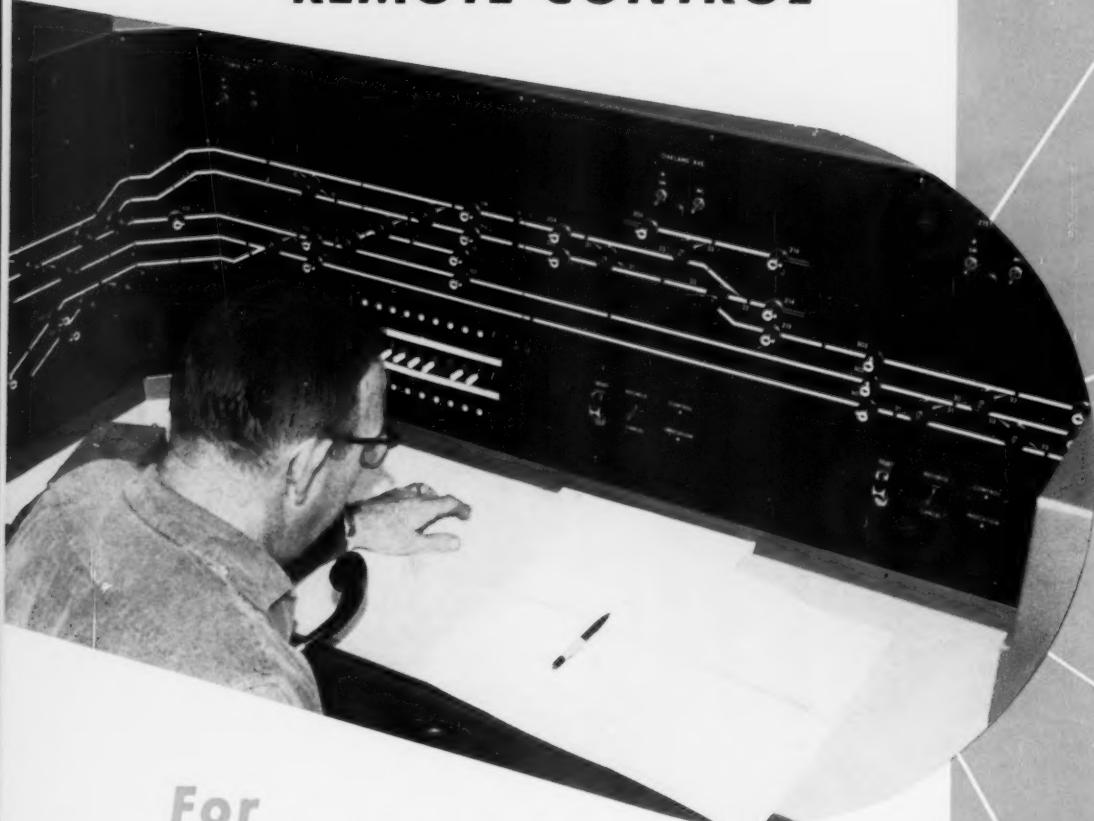
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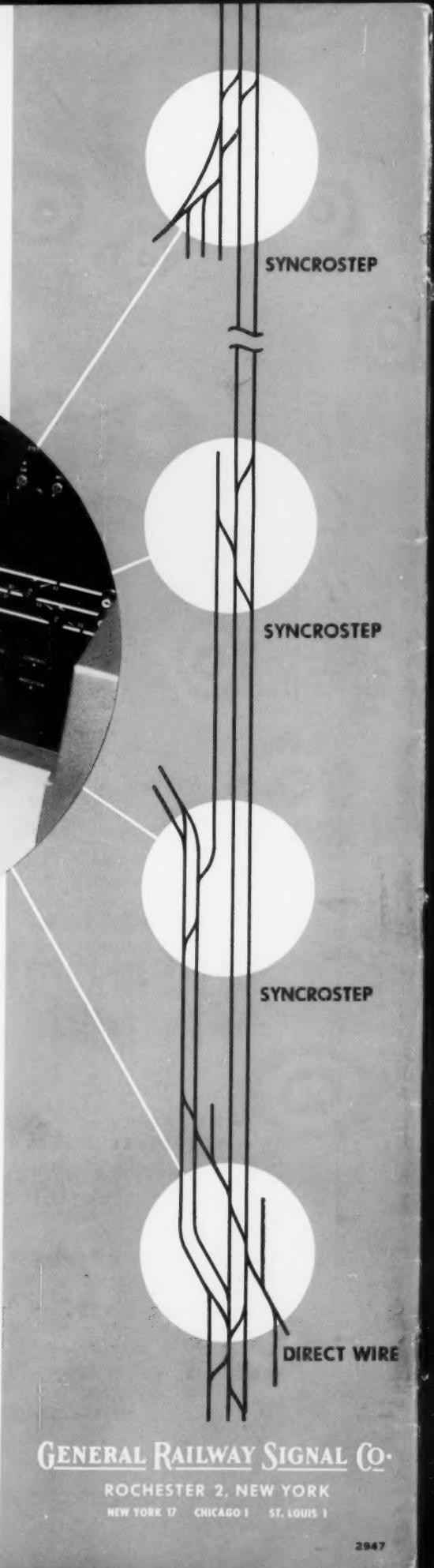
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